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How Europe Is Coming Back

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Overseas' Problems and Their Bearing on American Business. Two of England's Great Industrial Advantages Impaired. A New German Danger. The Necessity for Hard Work Will Make the Nation's Productive Power Greater Than Ever Before. The Only Way Germany Can Pay Is Through the Increased Industry of Her People. The Standard of Living a Factor in Her Competition for Trade.

TWO years have passed since the Treaty of Versailles was signed. Volumes have been written and endless discussion has been had regarding the fate and destiny of the old and the new nations of Europe created by that historical document, but the great question as to how Europe is coming back still remains a subject of much uncertainty and speculation.

Having been an interested student of this question since the day of the Armistice, and having closely followed the written and oral discussions on the subject, I believed that a few weeks spent in the most important of these countries would enable me to come back with some very definite and clear cut ideas about the present condition and future prospect of the economic, financial and industrial life of the old world.

It was indeed most interesting, and, needless to say, highly instructive to meet and discuss international business questions with some of the European men of affairs, but withal I must confess that I have returned without being able to express any definite conclusions on some of the phases of the complicated situation in the new Europe.

There are surface indications which, if accepted at their face value, would lead one to entirely different conclusions than those one is apt to reach upon careful investigation and close study of the fundamental conditions. One can travel through most of the countries of Europe and, with the exception of northern France and a part of Belgium, see the same smiling landscape, the same cleanliness and order, and the same busy farmers as ever. One can go to London, Paris, and even Berlin, and see the same gay life, the same activity, and even the same extravagance as before the war.

And yet what a difference the war has made in the real people of Europe. What a revolution of thought, and what a changed attitude toward life is noticeable on every hand. Along with emperors, kings and other noble titles which have gone on the scrap heap many other class distinctions have been wiped out or greatly modified and a certain social revolution has taken place in practically all of the countries.

The laboring man, who for more than four years laid out in the trenches in order—as one of England's leading statesman put it—to "make this a country fit for heroes to live in," finally returned from the war feeling that, as he had proved himself to be a "hero," he was now entitled to his reward and to an immediate enlargement of his life. He therefore proceeded to dictate new terms to his employer, to society, and even to the government itself. He demanded an entirely new relation between capital and labor, insisted on a greater voice in the management of industrial concerns, and last, but not least, an increased share of the earnings.

It would lead too far to attempt a full discussion of these new phenomena in an article of this kind, but it may be stated as a fact that for a time labor did succeed in practically every country in Europe in forcing these new concessions—at least as long as the artificial

prosperity which followed the war kept up—for employers felt it was better to make these concessions and thus preserve industrial peace in order to keep factories going and supply the urgent demand for goods. However, as soon as the inevitable slump in business followed the unhealthy boom conditions, the European labor situation underwent a complete change.

Unemployment Wages

Unemployment—the natural consequence of the worldwide business depression—became a serious problem in the countries of the victors and the vanquished. This problem had to be met by the governments in a new way in order to avoid the danger of having the small minorities which showed communistic and bolshevistic tendencies obtain the upper hand and as a consequence "Unemployment wages," or subsidies, as one may prefer to call them, form today no inconsiderable part of the fearfully heavy expenditures of the European nations, and the prospects are that this burden will not be lifted for a long time to come.

While I am forced to admit that these "subsidies" were a necessary consequence of the war, I feel that the effect of this paternalistic attitude on the moral character and efficiency of labor is very bad, for there are many who really seem to prefer to draw this government pay and do nothing, and who decline to work just as long as they can find a plausible excuse for the continuation of their "pension."

Workmen's Demand

During the war wages went up to artificially high figures, and the necessary process of readjustment is just about as painful in the European countries as it is with us. The facts are, however, that the size of the wages is not the only issue which has kept the industrial skies of Europe so gloomy for the past year or two. The demand of the workmen that they be given a more direct voice in the management of the business of which they consider themselves an essential part, finally had to be met in nearly all countries by the election of so-called Workmen's Committees, or Whitley Councils, as they call them in England.

At first it seemed almost impossible to the employer to manage and develop his business under such handicaps, especially as the personnel of these committees was made up largely from the most radical elements, and a succession of industrial conflicts followed. But, as is always the case, experience proved itself the greatest teacher, and many employers have now come to look upon these "committees" as a really desirable means of working out a proper relationship between capital and labor, while the employees, on the other hand, have learned to realize that their best interests are served by electing as their representatives on these "committees" not the radicals and the loudest talkers but their real leaders, *i.e.*, the ablest and most intelligent amongst them.

Better Understanding

The consequence is that personal consultation between employers and representatives of the employed has become a well-established habit, and the causes of friction between them are ventilated and usually solved. In any event, it is much easier to familiarize such a "committee" with the true conditions of trade in general and their special industry in particular than it would be to spread such economic information among the individual employees. The necessity for establishing reasonable minimum wage scales, to permit existence on a fair standard of living, is now generally recognized, and while two years ago even bank employees spoke a good deal of the "communistic" idea that one man is as good as another, and insisted on practical equality of wages, they have already come to realize that we do not all possess equal ability, and that it is absolutely necessary to hold out a reward for exceptional skill and industry if we do not want to prevent progress and paralyze production.

The European farmers as a class, especially in the countries with inflated currencies, have improved their general situation very much during the past several years, and many of them have been able to pay off the mortgages on their farms long before maturity. They are still getting good prices for their products and, of course, the value of their land has gone up in about the same proportion that the currency of their country has declined.

Shrinkage of Income

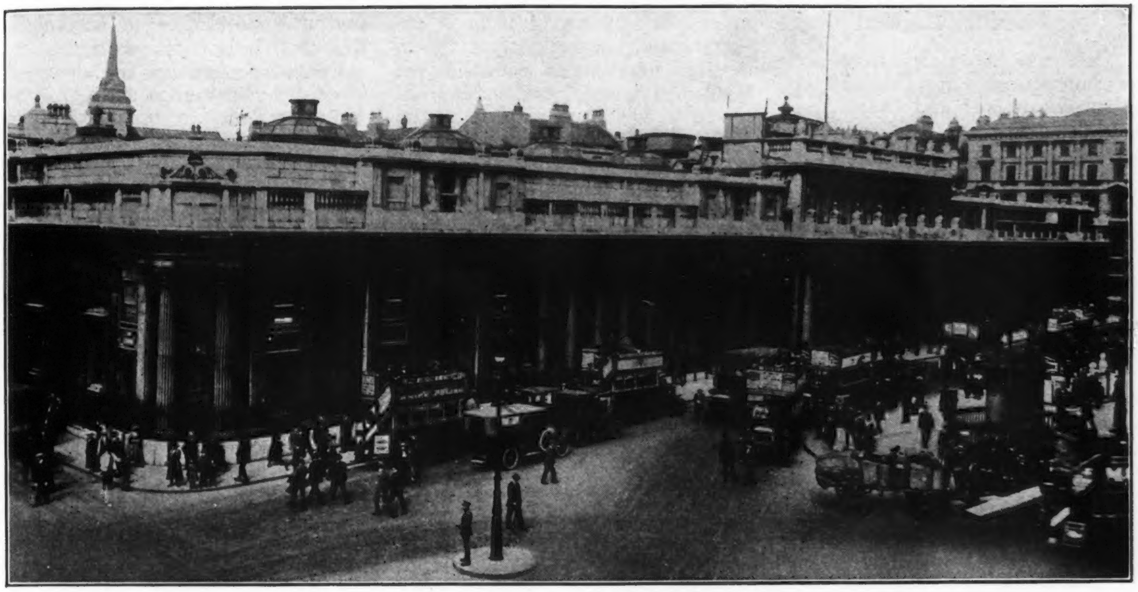
The people who have suffered the most in this social revolution of which I have been speaking are the middle classes and the people who were living on fixed incomes, especially those who depended on the interest from their principal, or an annuity or a pension.

To use a practical illustration let us take the case of an old man in Germany who ten years ago retired from business with a fortune of 200,000 marks, giving him an income of between 10,000 and 12,000 marks a year and enabling him to live, if not in luxury, at least in splendid comfort. This man still has his 200,000 marks capital and he still gets the same income, but, as a matter of fact, he has lost about 90 per cent. of it because the intrinsic value of his capital has depreciated enormously, and 10,000 marks a year will not even buy the necessary food for his family.

But such has ever been the result of expansion and inflation. The creditor who put out his money in normal times must suffer when the debtor can suddenly repay it to him in a period of inflation and depreciated money.

The Average Business

The average business man has fared comparatively well because until very recently business has been quite good in most lines, and whoever carried a stock of goods bought at pre-war prices became rich because the value of his goods was steadily increasing. Of course, each country had, or perhaps I should say has, a liberal supply of profiteers who by fair means or foul became enormously rich out of the war and the era of wild speculation and fictitious prosperity which followed the armistice. But the effects of this extravagance and inflation have now spent themselves and the



The Bank of England

natural reaction in business and the consequent decline in prices has made itself felt in most of the countries.

Like ourselves, our European cousins imagined themselves a great deal richer than they were and for a time it really seemed as if all our past teachings in economics would prove to be false. During long years of war we proceeded to waste the capital of the world like spendthrifts, and still there seemed to be more wealth than ever, and apparently there was enough to make everybody happy and comfortable.

No one seemed to realize how far we were drifting from the sound economic foundations upon which real prosperity must necessarily be built, and it was rather a rude awakening to find that much of the world's supposed wealth really consisted of the product of the printing press, *i.e.*, the enormous quantities of paper money, and that the real purchasing power of the world was at a very low ebb. In other words, we found that the old economic laws are still at work and that we must replenish the wealth of the world by economy, energy and efficiency before any great volume of genuine demand for goods can be expected or any real prosperity can return.

Needless to say, the road back to normalcy will be hard and the process of readjustment a painful one, but it is high time for each nation to face the real facts and at least begin to put its house in order.

England

Nowhere has the problem of bringing about this transition from the abnormal to normal conditions been tackled with more energy and success than in England. One by one the many post bellum problems are being solved, and never have English statesmen, bankers and business men cooperated more closely than they do at the present time.

The two internal problems which are troubling England most at this time are the Irish question and the labor situation. As the former is a political question I prefer not to discuss it at all. The latter has already been touched upon in the previous pages. English labor is probably the most highly organized in the world, and the inevitable readjustment of the wage scale to the lower prices is therefore very hard to accomplish.

The recent coal strike which lasted nearly three months was a severe test of the respective powers of endurance of capital and labor. This strike affected practically every industry in England, enormously increased unemployment, put the whole nation to great loss and inconvenience, and produced acute distress everywhere. However, each side felt that it had to go through to the bitter end, and a compromise was finally made possible only through the intervention of the government, which provided a fund of £10,000,000 to be applied towards the equalization of wages under certain conditions.

This settlement carried with it a very material reduction in the fixed wages of the miners, but gave them a certain contingent interest in the net profits of the mines. The settlement of this strike had a very wholesome effect on the entire labor situation in England, and will probably put an end to the campaign for the nationalization of the coal fields as well as to the agitation for state ownership of railroads.

I seriously doubt, however, whether the profit-sharing scheme will work out successfully, first because it will lead to eternal disputes as to what are profits and what are proper charges of operation, and besides they are trying to hold capital down to so low a return that initiative and speculative development of new coal properties will well-nigh cease.

Serious for England

This may ultimately have serious consequences for England, because cheap coal and cheap labor have been her two chief industrial advantages in the past. A population of nearly fifty million people living in so small a space as England constitutes a highly artificial community, and as the nation could not possibly feed itself without heavy imports it necessarily depends on its export trade to keep itself alive.

The English are an energetic capable people who have for centuries shown an unusual aptitude for the manufacture of certain products such as steel and cotton goods, and they do not have their equal as international traders and bankers. But, of course, one of the essentials of their success is that they must produce on as cheap a basis as other nations, and must be able to sell their goods at prices at which their customers can afford to buy.

As in the United States, the recent export statistics in England show an appalling downward trend, and a nation that has been bred and fed on foreign trade cannot view such an enormous shrinkage of its exports with equanimity.

The European continent has always been one of England's best markets, and, of course, its buying power has been tremendously reduced. The government, recognizing the difficulties which English exporters naturally experience in dealing with the impoverished and the new countries of Europe, has just announced a new plan under which it will guarantee 85 per cent. of the value of the invoices of British exporters covering shipments to practically all the European nations, except Germany. Needless to say, this will give English exporters an enormous advantage in dealing with these countries, at least until such time as commercial credits again become normal and bankers and shippers in other nations are willing to assume equal risks on their own account.

England is doing a fair volume of business with Germany, both in the occupied and unoccupied area, but it worries British business men not a little to see Germany go more and more out of the world's markets as a buyer and enter it more and more as a seller in competition with her former enemies. English bankers and business men also state quite frankly that they consider it a serious mistake to exact such enormous reparations in "cash" from Germany, because Germany has not the gold, and can produce the cash only by enormous exports at low prices in competition with and to the detriment of the allied nations.

The Paris Stock Exchange

They argue that France should insist on her reparations more in labor and materials and in commodities like coal, timber, sugar, potash, and other raw materials. They contend, and properly so, as I will illustrate under the heading of "Reparations," that to insist on these payments in cash only means to compel Germany to underbid other nations in export business and thus *force* her to become a first-class industrial state again.

On these questions the views of English business men are diametrically opposed to those of their neighbor and ally, France.

France

A visit to the devastated regions of France will easily explain why France should want to insist on collecting the largest possible indemnity from Germany.

It will take years and untold billions of dollars to restore the damage, so far as it can ever be restored, but there appears no doubt that the economic structure of the country is perfectly sound and that she will be able to stand up under her burdens and realize the destiny which her brave fight entitles her to.

France's debt is truly staggering, having already been very large before the war, and her national expenditures are far in excess of her income, and no serious effort has yet been made to balance her annual budgets. The deficiency has been met by the flotation of bond issues and by borrowings from the Bank of France, which has tremendously increased its note issue.

A very material increase in taxes seems inevitable, but this action has been steadily postponed first because it was uncertain to what extent the annual reparations payments would cover the deficit, and secondly because the political leaders felt that the economic struggle of the people should not at this time be made still harder by very high taxation.

Of course, the consequence of this policy has been that inflation has continued and the difficulties of her exchange position are still almost as great as ever. Her foreign debt constitutes a heavy bur-

den, and her interest obligations to England and to the United States alone will have a tendency to keep the value of her money from improving, especially as her income from the heavy foreign investments which she made in Russia, Turkey, and other countries has for the time being at least been entirely eliminated.

In addition to these heavy interest payments, France must make enormous expenditures for pensions as well as for her large army and navy.

Her imports still exceed her exports by a very large margin and France feels that only by exacting the large cash reparation payments from Germany can she hope to make solid progress in mastering her difficulties.

To England's suggestion that she should accept reparations largely in labor and materials for the rebuilding of the devastated sections, France frankly replies that she has already a considerable number of unemployed among her own nationals, and therefore does not wish to import any foreign labor. Nor is the argument that she is forcing Germany to compete with her in her export trade a particularly convincing one for France, because in the past she really has never competed very much with Germany in the same classes of goods, and is therefore not so much afraid of having German industry outdo the French.

Germany

Notwithstanding the very serious problems facing the country, there are many surface indications in Germany pointing to a considerable measure of prosperity, but the prosperity stands on "paper" legs.

Take the banking situation, for instance. All of the banks have made very large profits and almost without exception have increased their dividends over the previous year. Their deposits have gone from 40,000,000,000 marks to 62,500,000,000 marks during the last year, but a very considerable percentage of this increase represents foreign balances. (One banker told me that before the war his institution had 700 accounts from America whereas it now has 70,000 such accounts.) Much of this money is invested in 90 day treasury bills, which, of course, ties up the banks very closely with the government.

Prices Still Rising

Prices of nearly everything continue to go up in Germany, partly owing to the continued depreciation of the paper mark and partly to an era of wild speculation which is one of the forms of social demoralization following the war.

Nearly everybody seems to gamble on the stock exchange in an effort to supplement his income, and on the other hand there is on the surface a good deal of extravagance on the part of those who have some money and feel they would rather spend it than have the government take it away from them by the process of the ever increasing burden of taxation.

When the defeated army returned from the war and the republic was still very young, it looked for a time as if the bolshevistic idea might really get hold of the German laboring classes and their efficiency was reduced to but a small fraction of the pre-war basis. They did many abnormal things in their effort to forget that as a nation they would have to work harder than ever to bear the consequences of their defeat, and they tried desperately to escape that responsibility.

But now the atmosphere has changed, they know the worst, and they have gone back to work with something like their former spirit. Germany rose to a condition of wealth as the result of her people's proverbial willingness to work. I think Germany "will come back" as the result of the absolute necessity for hard work, and I believe her productive power will surprise the world within a very few years.

In any event, her people are back at work, her factory wheels are started again, and if she can get sufficient coal and raw materials unemployment will soon cease to be a serious problem for the German government, which still pays large sums in "unemployment" wages just as does England.

It is generally admitted, even by France, that the present German government, *i.e.*, the Wirth cabinet, is the most sincere they have yet had, and there seems to be no doubt that they are making every effort to live up to the reparation agreement which they signed last May. I only fear that the government does not have a sufficient majority to prevent another cabinet crisis in case the Upper Silesian question is not settled with reasonable satisfaction to Germany.

Reparations

Of course the all important question in Germany today is "Can we pay these enormous sums?" There is an honest difference of opinion among her business men on the subject, some feeling it is impossible but all apparently agreeing that they must try. My own judgment is that Germany can pay and that she underestimates her own productive power in that respect. I would qualify this statement in only one respect, that is, she can pay if the world's markets are kept open to her. It of course requires no debate to establish the fact that Germany does not have the gold or other cash to make even a small part of her annual payments, but in the last analysis every large payment from one country to another resolves itself into a payment of goods.

The reparation agreement signed last May provides that Germany must pay yearly two billion gold marks plus 25 per cent. of the value of her total exports which it is estimated will increase her annual bill by more than another billion and when there is added the total amount of the occupation expenses Germany's annual outside liabilities will probably exceed four billion gold marks, which in her present depreciated currency means the staggering total of over fifty billion marks.

How then can Germany raise this enormous amount each year? She does not have the gold and no one would accept her paper marks in settlement, first because of their unstable value, and secondly because the printing and issuing of that much additional paper money would automatically reduce its value. Before the war Germany had colonies, foreign in-

vestments, a merchant marine, and ample means of getting credit if she needed it, to offset her balance of trade but all these are gone now, and her only means of creating the balances necessary to pay her obligations is to export, export, export.

Must Increase Exports

Now Germany never has been an exporter of raw materials on a very large scale, but rather a refiner and finisher of raw products which she had to import, and to pay for these imports she must further increase her exports over and above the amount required for the reparation payments.

Of course the German government tries by every conceivable means to hold down the imports to the lowest possible figure, and makes it very difficult to get in luxuries of any kind. Then too the very drastic program of taxation will necessarily force a lower standard of living in the whole country and reduce the purchasing power of the people, thus not only decreasing imports but also reducing home consumption to such an extent as to make increased exports possible.

Coal Exports

Germany is required to export an enormous amount of coal which in view of the large loss in total output through her loss of important producing territory seriously weakens her national economy and makes the Silesian question so important for her. Potash which formed an important part of Germany's pre-war exports has lost much of its importance in Germany's international trade because the best fields were in Alsace Lorraine which now belongs to France. Sugar which was another important export article will probably not be produced in sufficient quantity to do more than take care of the home supply for many years.

There remains only one way therefore for Germany to make her yearly settlements and that is to furnish so many billion hours of work which German people can and must supply, and then ship the products of this labor to all parts of the world in the shape of manufactured products.

How Germany Can Pay

There remains only one way, therefore, for Germany to make her yearly settlements and that is to furnish so many billion hours of work which German people can and must supply, and then ship the products of this labor to all parts of the world in the shape of manufactured products.

The New German Danger

It is not difficult to foresee that this means a new though peaceful "German danger" and we must recognize that this very necessity for hard work will shortly make Germany's productive power greater than ever, and give the entente nations a degree of competition such as they never experienced before and that at a time when foreign trade is already difficult enough on other grounds.

Much will depend of course on the willingness of the German people to work and on the fluctuations in the value of the German mark. That Germany has gone back to work with a new will and determination is the opinion expressed by every observer I have talked with, and discouraging as the final outcome of the reparations' commission deliberations is to the nation as a whole, the individual worker and business man is beginning to look to the future, with more hope than any time since the armistice was signed.

Germany has lost 7,000,000 people since 1914, of which 1,700,000 fell in the war and over 5,000,000 lived in territory lost to her under the terms of the treaty. As in every other country the length of the working day of the individual workman has been materially reduced but there seems to be a genuine willingness to work and it is estimated that from 4,000,000 to 5,000,000 women have been added to the number of women employed in 1913. So that Germany's total productive power does not appear to have been seriously impaired.

Can the World Compete?

Of course, the question of whether the rest of the world can successfully compete with Germany depends not only on technical efficiency, but also on the standard of living of her working people and the size of the wages which they receive. Before the war, a German workman receiving eight marks a day was very well paid. A skilled mechanic now receives about eight marks an hour, or sixty-four marks a day, which is just about the purchasing power of the depreciated mark at home. Sixty-four marks based on the pre-war exchange would be about $15. But figure this so-called "living wage" into dollars at the present rate of exchange and you will find that the equivalent of this day's wages is just about 82 cents. The same class of workman in the United States received about $8 a day, or nearly ten times as much. Could there be a more convincing example of how much the position of the foreign exchanges means to us in our export trade?

Bankers Manage a City

Miami, Florida, has adopted the commission form of government. The first commission is composed of five of the city's leading bankers: J. E. Lummus, president of the Southern Bank and Trust Company; J. H. Gilman, president of the Bank of Bay Biscayne; C. D. Leffler, president of the Miami Bank and Trust Company; J. I. Wilson, director of the Southern Bank and Trust Company, and E. C. Romfh, president of the First National Bank.

A British View of Our Tariff

By ARTHUR BALFOUR
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Ex-Master Cutler of Sheffield, England

TO a certain extent the responsibilities of great creditor nations have been lost sight of because, as a rule, their positions have been developed gradually. The war forced these responsibilities into the open, and now they must be faced boldly.

Looking back over the history of the British Empire I think it will be recognized at once that the empire has been built up largely by the trading interests which were developed by England in the various parts of the world, and the savings and thrift of the British people caused Great Britain to become a creditor nation. The United States finds herself today in the same situation which made it imperative that Great Britain should take the further responsibility of administering and guiding some of the countries which had been opened up and developed by her trading operations.

The price which the people of Great Britain have to pay for the important position which they have occupied is that they had to face taxation amounting in 1919 to £18 per head of population, in 1920 to about £22 and in 1921 to over £23. No other country has approached these figures. The taxation per head in the United States is about £5-6-0 and that of France £5-3-0, while Germany has about the same figures as France. The German government has not yet taxed the people in proportion to the cost of the war, as Germany maintained right up to the signing of the peace treaty that the Allied countries would pay for the war.

The question of the economic situation which would arise when the war was over was very carefully investigated by a commission appointed by the British government and known as Lord Balfour of Burleigh's Committee; on this commission the writer of this article served. It was then fully recognized that Germany would be in a position to manufacture and pay wages in depreciated paper currency, and in her export trade would sell for gold, or its equivalent, thus creating very formidable competition for all other countries. The German government has deliberately pursued the policy of depreciating its currency by constant use of the printing press, so that today we have Germany still a great industrial nation menacing the industrial supremacy of all other countries.

Extreme action by any or all of the Allied nations to prevent Germany trading can only act as a boomerang and prevent Germany paying what she owes. We must face the situation and admit that if Germany is to pay she must trade. The only way in which Germany can reestablish her currency is by trading and by stopping the printing press. The German people have yet to face the effects of the war, and their awakening will be a sad one, although it may be postponed perhaps for another twelve months. If we do not allow Germany to trade —and, in fact, assist her to trade— the Allies will most certainly bear the whole cost of the war, *i. e.*, pay the reparation, which we all believe is justly due to the Allies from Germany in consequence of the world disaster which she caused.

How is America to collect from the Allies the vast sums which are owing her? She can only do it by trading with the Allies, as we are all by the operation of the economic law forced to trade with Germany.

The proposed new Fordney tariff, which is giving rise to very grave misunderstanding in the minds of the Allied nations, will have a tendency to prevent America trading with the rest of the world. It has been said to the writer that America is self-contained and can live by what is known in England as "taking in her own washing." That was true before the war, but today, as we view it, America must trade with the world if she is to safeguard her own interests and collect the money owing to her.

At the moment it may be said that America dominates the world, both financially and economically, and in consequence has world responsibilities which must be met. The last thing that any European nation would seek to do would be to attempt to dictate in the slightest degree to the United States what her tariff policy should be, but at the same time it would be wrong for anybody who has the friendship of the United States at heart not to frankly and fearlessly state what the effect of the proposed tariff will be. It has been said to the writer that the intention of the tariff is to prevent German and Austrian competition, but I have never heard it refuted here that while this is the fundamental reason, the proposed tariff is going to hit all the Allied nations harder than it hits Germany, and to not only strike a blow against the Allied nations' trade, but inevitably cause a feeling of mistrust of the United States.

What is known as the American valuation plan is particularly resented abroad because it strikes at everybody and does not disclose to the American people what the real increase in the tariff is. The duty chargeable would not only be on the cost of the goods as shipped from the various countries, but the new duty added as well. (No tariff has yet been imposed by any country without the same amount, or approximately the same amount, being added to similar goods manufactured in the country which imposes the tariff.) Further than this, the proposed valuation plan makes trading an impossibility, because no sane buyer can be induced to place orders for goods without knowing what ultimate price he is going to pay for them. The new valuation clause leaves the matter entirely in the air. If the intention of the plan is to prevent the competition of Germany and Austria and it is successful, Germany certainly will not pay what she owes and the export trade of the country taking such steps will be s riously curtailed and retarded.

Already the high value of the

dollar makes it difficult enough for the other nations to purchase freely from the United States. This tariff, if passed in its present form, will further inflate the exchange value of the dollar in relation to foreign currencies and will reduce the trade of the United States with other countries to bare and urgent necessities.

I am told that America has a thousand million pounds sterling of gold, which is practically half of the world's total supply of gold. Gold in this volume brings serious disabilities, and I think it will be admitted by all experts in finance that too much gold in the vaults of one nation makes for poor trade and unemployment. This being the case, the only way in which other nations can trade freely with the United States is by goods for goods, and before it is too late I would earnestly plead that this important aspect of the world's trade and America's great world responsibility should have further consideration. Fundamentally the greatest asset that any nation can possess is that the other nations believe absolutely in its honesty of purpose. I fear that the other Allied nations misunderstand the proposed Fordney tariff, and feel that the vast responsibilities with which the United States is inseparably connected now have not been sufficiently recognized in the framing of the tariff. This being the case it is certainly breeding mistrust which will have far-reaching international consequences in the future, though not appreciated at the moment. For instance, as a Sheffield manufacturer I fail to understand why a tariff of 200 pounds sterling per ton (and more if the American valuation plan is adopted), or nearly 50 per cent. ad valorem, is necessary when the total importation into America only represents 2 per cent. of the total consumption of high-speed steel in the United States. Your home high-speed steel industry has been built up successfully on a stupendous scale on a 15 per cent. ad valorem tariff. Under the new tariff there can be no importation of high-speed steel, and therefore, no revenue.

Excess Profits Tax Impairs Prosperity

PRESIDENT JOHN S. DRUM, of the American Bankers Association, sent to Senator Penrose and Congressman Fordney an emphatic protest against the continuation of the excess profits tax until 1922. The excess profits tax, Mr. Drum says, is one of the principal reasons for the continued high cost of production and finished products as against farm products and raw material, and it retards the employment of labor. The protest reads as follows:

"The American Bankers Association, representing 23,000 banks and more than 95 per cent. of the country's banking strength, without at this time going into other features of the bill now before Congress, most earnestly protests against the continuation of the excess profits tax to January 1, 1922, and urges these objections:

"1. The excess profits tax never could be justified except on the ground that it was an emergency measure required under the unusual conditions of war.

"2. The restoration of peace has destroyed both the reason and the excuse for the tax.

"3. Continuation of the tax is one of the most important factors operating to keep up the cost of production of manufactured goods, and the higher cost of finished products as against that of farm products and raw materials prevents the restoration of an equitable and harmonious price level.

"4. The effect of these inequitable prices is to reduce and restrict the purchasing power of farmers, livestock men, cotton growers, lumbermen, oil producers, and miners, for the reason that they are forced to sell at prices relatively too low and with the proceeds of their sales can buy finished products only at prices relatively too high.

"5. Reduced buying by farmers and producers of raw materials naturally means reduced selling by producers of manufactured goods, and the buying power of manufacturers and their employees, therefore, is likewise reduced.

"6. The so-called excess profits tax is actually not a tax on profits, but a diversion of working capital, and by impairing the working capital of the country it prevents that full development of productive enterprise without which there cannot be full employment of labor.

"Considering all the foregoing facts it is apparent that the excess profits tax, while it will produce relatively small revenue, is a destructive influence that works against the farmer, the cattleman, the miner the lumberman, the oil producer, the cotton grower, and the workman. It is a tax that impairs the prosperity of all classes. Its economical fallacy has been recognized by other nations that imposed the tax, and England and Canada have already repealed and substituted other and sounder methods of raising revenues required.

"The American Bankers Association, therefore, is convinced that it should place these facts before Congress, before Congress assumes the responsibility for continuing this tax until 1922 and thereby adopts a course which the American Bankers Association firmly believes interferes with the natural movement toward restoration of a price level at which agricultural products and raw materials can be exchanged so as to receive full value in finished goods; that restricts the purchasing power of the farmer, the cattleman, and the miner; that keeps workmen out of employment; that delays, in short, with disastrous effect, the operation of natural forces which, if unwise legislature does not interfere, will restore normal conditions."

Premium on the Dollar a Barrier

By R. S. HECHT
President Hibernia Bank & Trust Co., New Orleans

Keeps Our Goods Out of Foreign Markets More Effectively Than a Tariff Wall. Everybody in Germany Talks "Exchange"; Everybody Here Should Study It.

TIME was when the subject of international exchange was regarded as a highly technical field, interesting only to a few bank men who made a specialty of it, and who in some mysterious way seemed to be able to make a little profit by buying and selling checks and drafts payable in foreign currencies, or by switching these balances around from one country to another by means of so-called arbitrage transactions. But all this was in the days when the currencies of the European nations and, for that matter, most of the moneys of the rest of the world, were on a gold basis. In those days the daily fluctuations in quotations were of negligible size and were based on such well known seasonal causes that not even the exporter or importer had to pay much attention to these differences in quotation, and certainly they had no interest for the average American business man who was not directly concerned with export business.

All Are Interested

Perhaps the situation was very similar in Europe prior to the war, but it is astounding to see how really well posted the average person in the various European countries is on the subject of "The Exchanges" today. In fact, the knowledge of the subject seems the greater, the lower the value of their home currency is. In Germany for instance, where the depreciation of the exchange is the greatest, it is literally true that everybody in all classes of society talks about the "Valuta" (or "Exchange") as if it were something to eat or to wear. The explanation for this higher knowledge is quite simple however, because as I will hereafter try to explain, the question of the "Exchanges" really does affect every German household in the most direct manner and the cost of what they eat and wear is daily affected by these fluctuations.

Other Side of It

It will not be easy to convince the average American that this problem also affects his welfare and prosperity, and that for his own sake he should make a careful study of the question and help in finding a solution. All that is fairly well known among our people today is that the dollar commands a big premium in every country in the world, and that looks like an unmixed blessing to the casual observer, especially if he happens to be a tourist and can get 12½ francs for his dollar, where he received only about five francs a few years ago, or when he gets 75 marks for a dollar that formerly brought only 4¼ marks.

The other side of the picture, that is, the effect which this state of the exchanges has on our American domestic and foreign business, is something which does not lie quite so much on the surface, and naturally requires much explanation.

In spite of the temporary business depression which we are experiencing in the United States at this time, it is a fact that the whole world is heavily indebted to us and that it is becoming increasingly difficult to buy enough dollar exchange in the foreign countries to pay this indebtedness. Our transition from a debtor to a creditor nation has been so fast and the balance of trade annually accumulating in our favor during the past several years has been so great, that the demand for dollars has been so persistent as to drive its value to heights which none would have considered possible but a short time ago.

But what is the consequence? Our foreign customers complain that we are making it impossible for them to pay us their debt without terrific losses to themselves, and instinctively they blame us for this condition of affairs, which after all is but the effect of the immutable law of supply and demand. Of course, such raw materials as only we can furnish, cotton, for instance, and such foodstuffs as are absolutely essential to prevent starvation and suffering in foreign countries, will continue to move there, no matter what the exchanges may be, but when it comes to exports of less essential articles and especially those which other nations can supply in competition with us, our business will suffer in the same ratio as the value of the dollar abroad continues to climb.

Soldiers Like It

While in Coblenz I asked one of our American boys stationed there if he was not anxious to get back home. His answer was "No! I don't want to leave here as long as my $30.00 a month produces over 2,000 marks on which I can live like a prince." But this exchange question is a double-edged sword which cuts both ways. While we are busy building our tariff wall higher and higher this premium on our dollar tends to keep our goods out of foreign markets far more effectively than any protective tariff which the other nations might enforce against us. There is no more striking illustration of the disadvantages of a high premium on a country's exchange than the present situation of Switzerland, whose business is slowly dying as the result of the high value of the Swiss franc. Swiss chocolates were the favorite all over Europe, but today few people can afford to pay the high prices and domestic chocolates have largely taken their place in England, France and Germany. Swiss hotels were always filled to capacity at this season, but this year they have been almost empty, except for the

American tourist, because travelers can get so much more for their money in other countries.

Time was when these exchange differences could be overcome by shipments of gold, but that remedy is no longer effective, and the United States already owns about one-half of the total gold supply of the world. Other forms of correction will, therefore, have to be applied, if we do not want to lose all of the temporary advantage which we gained in international trade as the result of the war.

America's Position

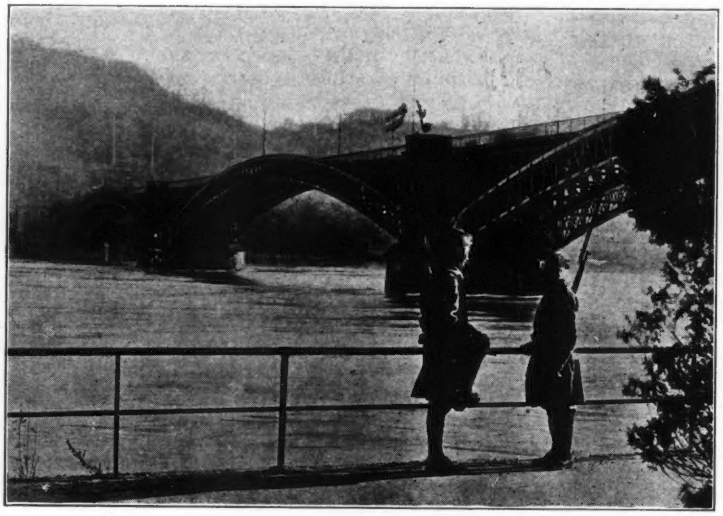
Politically we should undoubtedly keep out of European affairs, but whether we like it or not our financial and commercial welfare, and even our credit structure, is closely tied up with the fate of Europe. It is quite useless therefore to deny the necessity of interesting ourselves in the economic readjustments now being made abroad because the effect of the reparation settlements, the depreciation of foreign currencies, and the ultimate distribution of the raw materials of Europe will be felt very nearly as much by us as by the countries 3,000 miles away, because, commercially speaking, this is a very small world, and we are a most essential part of it.

The example I have already used comparing wages in Germany* with those paid in America, based on present exchange rates, clearly illustrates the difficulty we are going to have in competing with a country whose currency has depreciated as much as has the German mark.

Ordinary tariff measures will hardly be sufficient to cure this evil, and even the anti-dumping laws will be only partially effective.

If cheap German goods are offered here, it does not mean that they are being "dumped" below the cost of production. The low prices may be simply the result of converting "cheap" German marks into "dear" dollars. Clearly, this is a new factor in international trade and one we must be prepared to meet, for no matter what tariff rate we may fix every further decline in the value of the mark will be reflected by lower offerings of German goods, and only a stabilized market in the foreign exchanges can prevent chaotic conditions in the world's foreign trade.

Then, too, we must bear in mind that even if we succeed in passing tariff and anti-dumping laws which will keep these cheap goods out of our own country, we cannot keep them out of the world's market, which, of course, means the keenest possible competition for the exporters of American manufactured goods.



Glad to Stay in Germany on $30 A Month

Already the value of our export trade has fallen off materially, and while the enormous decline in prices makes a real comparison difficult, the excess of our exports over imports is now quite small compared with the totals of the last several years.

Other nations are working with feverish energy to recover the foreign markets in which we have gained a foothold since the war, and in order to compete we have to adopt the same progressive methods as they do. Our people must understand that foreign trade means more than just exporting our own goods; it must mean an interchange of goods and where the balance is so largely in favor of one country, as it is with us, it must also mean foreign credits and investments.

Foreign Credits

Most of the European nations will show an unfavorable balance of trade for many years to come, because their need for raw materials is very great. Also the ever increasing tariff wall which we are building here is making imports quite difficult. As already stated, gold shipments will no longer be practical and we must remedy the situation by extending credits to these nations in one form or another.

Bank credits to first-class commercial houses will of course facilitate the movement of goods to some extent, but they must necessarily be restricted both in time and in amount, and must be of a self-liquidating nature. What is needed are permanent investments in foreign enterprises, and in government obligations, and while we must necessarily use the utmost caution in matters of this kind, my judgment is that there is no doubt whatever of the recuperative power of the principal European nations.

I am not underestimating the difficulties in the way of making such credits available, but I believe that the so-called "Ter Meulen" plan, which was first suggested at the financial conference in Bruxelles, does point the way towards a safe solution and I hope that we will hear more of this plan in the next few months.

* See article in this issue, "How Europe Is Coming Back."

To Make a Good Address

Committee on Public Education in Arranging for School Lectures Tells How Any Message May Be Effectively Delivered

ONE of the functions of the Committee on Public Education of the American Bankers Association is to provide lectures on banking and kindred subjects suitable for delivery in public schools and at meetings of social and business organizations. There are thousands of bankers in the United States able and willing to do such work, but some of them lack time and opportunity to obtain and crystallize the necessary facts and arguments. The Committee on Public Education of the American Bankers Association accordingly has prepared fundamental outlines upon which any banker who knows the details of the banking business may construct speeches in accordance with his own personality. In such work liberal appropriations have been made from material contributed by the American Institute of Banking and its individual members. The outlines thus provided are not numbered and may be used in any order that local circumstances and personal preferences may determine. Such unit system, moreover, facilitates any subsequent revisions that experience may prove to be necessary or expedient. There is no objection to the use of any or all of the material furnished, but the speaker will be most interesting and convincing who speaks his own language as much as possible and uses illustrations pertaining to his own community and his own institution. The fact should be emphasized that there is no mystery about the banking business, and the more thoroughly the public understand the objects and methods of banking the more they are ready and willing to cooperate with banks and bankers in meeting the financial and economic problems that now confront the world.

Principles of Speechmaking

The fundamental principles of speechmaking are three: (1) Have something to say, (2) say it, (3) sit down. In determining what you are to say it is best to choose some one line of thought. One is enough. If you present it clearly, with logic, and in an entertaining manner, you will have made an ideal speech. If you attempt more than this you are quite liable to ramble off into a purposeless, confused, ineffectual talk. Even if you should succeed in presenting two or three lines of thought it is more than likely that but one, and that the strongest, would prove impressive. There are several ways of delivering a speech, each of which you may have observed. You may write out your remarks in full and read them from the manuscript; you may write them out and commit them to memory; you may write out only the introductions to your leading points, improvising the rest; or you may have only a mental skeleton of your address, improvising it all. Each of these methods has its advantages and its disadvantages. Perhaps the first is most likely to result in your effort falling flat. Unless what you have to say is of intrinsically great moment to your hearers, they are quite apt to look bored and to become uneasy at the sight of your manuscript. The written pages themselves confess a lack of self-confidence. They erect a barrier between the speaker and his hearers which sympathy seldom climbs. To deliver a speech prepared by somebody else is worse than the worst you might do yourself.

Psychology of Circumstances

In theory a speech is no more than a talk by one person to many. It should resemble as nearly as possible the talking of one individual to another. If Jones wishes to tell Brown what he thinks on the subject of hot air furnaces as compared with steam heat, it would certainly be absurd of Jones to write down his remarks and read them to Brown on the first opportunity. Is it not quite as absurd when Jones, arising from a banquet table to tell a number of fellow merchants that they ought to organize a board of trade, proceeds to read, in a stumbling manner and in dull, spiritless monotone, a half dozen pages of manuscript? The spectacle becomes truly entertaining when Jones nervously drops some of his precious pages and scrambles under the table to rescue them. The inevitable disadvantage of a memorized address is that it is apt to sound stiff and stilted. It smacks of the ink bottle. Few men can write a thing as they would speak it. In their written efforts the colloquial quality is lacking. Unless you can concentrate your mind so as to make unnecessary all writing, the third method is probably the best. The safest way is to jot down your opening and closing sentences, and then revise them until you are satisfied that they are the best you can produce. Make intermediate notes of topical subdivisions.

Working Methods

Any speech needs an introductory paragraph, which should be striking and strong. The practiced public speaker gets on his feet deliberately. He does not pop up like a jack-in-the-box when the catch is loosened. He bows gracefully to the chairman and then comprehensively to his audience. His knees may be trembling, but he does not betray the fact. He looks as if he were glad to be there. These little touches inspire confidence. Generally he singles out a hearer who is farthest from him. To that person he talks. He knows that if he makes this auditor hear his words everyone else must be able to hear them. Occasionally he sweeps the rest of

New Federal Reserve Bank of Atlanta

his audience with a glance, but mainly he talks to one person. This is an excellent cure for stage fright. The speaker forgets that he is addressing a number of persons and talks to one individual. Moreover, no one can detect this little trick of speechmaking, not even the person singled out. To begin by declaring that you are no orator is a poor introduction. If you were, you would not be expected to say so. If you are not, your hearers will soon discover the fact. Use almost any other form of introduction. Strive for something original. Perhaps a neat paragraph or turn of thought can be hinged on something said by the chairman in presenting you. Make your introduction brief, whatever it may be, and get at your subject at once. To present an idea logically requires the best possible arrangement of thought. Do not state your conclusion first, following it with an argument, and ending with an illustration. There should be a natural sequence to the order in which points are developed. Finally, when you have stated and illustrated each point with clearness and conciseness, you should have, ready framed, a few epigrammatic sentences in which the essence of your idea is stated. Put these before your auditors, and then, just as they are settling back to hear you add the usual unnecessary review, agreeably surprise them by making an end in as impressive manner as you can.

Personal Pointers

Effective expression, however, is something more than artistic arrangement of words. It is the outflow of the soul. "Of the abundance of the heart," says the Bible, "the mouth speaketh." Persuasive writers and speakers are those who believe what they say. Their inspiration may be love, or it may be hate, but it must be truth or some conception of truth. No hypocrite can be a Demosthenes. No liar can be a Lincoln. In writing or speaking, remember that the Golden Rule is no abstract idealism. It is the most practical thing in the practical life of this practical age. Consider the welfare of your fellows and they will consider yours. Talk to people in their own language and on their own plane. They will not tolerate talking down from above nor talking up from below. They will not put confidence in anybody who does not put confidence in them. Neither will they submit to leadership which does not appeal to their hearts as well as to their heads. Never patronize. Never plead. Be yourself and be as worthy as you can, but do not pretend to be any better or any worse than other people. The spirit of brotherhood, the human touch, is the magnet that attracts mankind. Statesmen and philosophers of all times have advised planting deep in humanity the economic virtues that underlie prosperity. Abraham Lincoln said, "Teach economy; that is one of the first and highest virtues; it begins with saving money." It is the duty of the American banker—duty to his profession and duty to his country—to see that the sentiments thus expressed by Lincoln are proclaimed throughout the United States.

Every Banker a Member

Frank B. Yetter of Davenport, president of the Iowa Bankers Association, announces an achievement in organization in making every banking institution a member of the association. Iowa has 1906 banking institutions. Of the forty-nine state bankers associations in the United States only two others have an equal record—the state of Indiana has about 1,000 banks and the state of Montana has about 400 banks and in each of these states every eligible financial institution is a member of its state association. The making of the Iowa State Association a 100 per cent. organization was brought about by a quietly conducted campaign inaugurated on the 10th of July. President Yetter had the loyal cooperation of the group secretary, and the county chairman in each of those counties in which were located non-members and he and his associates are to be congratulated.

Now for Hospitable Los Angeles

THE stage is set—gorgeously set—for the rising of the curtain on the American Bankers Association convention in Los Angeles, October 3 to 7. Los Angeles, famed for her hospitality and located in fertile, sunny California, is ready. The Entertainment Committee, the Hotel Committee, the Publicity Committee; in fact, all of the committees which have been formed with the express purpose of making this the biggest and best convention, are speeding their programs so that when the first delegate steps from his Pullman car every convenience possible will be at his command.

At the same time delegates to the convention are putting the finishing touches on their itineraries. They will travel comfortably, sumptuously, and even those who enjoy the special tours which have been arranged will make the trip in a small part of the time consumed back in the '50's and '60's by the hardy pioneers who went to a western wilderness, conquered and turned it, in a comparatively short space of time, into the most richly productive area in the country. In the pioneer days settlers went to a virgin land, and in going they experienced almost every conceivable discomfort. They overcame all obstacles and the city of Los Angeles is one of the results of their early effort. Only fifty years later delegates visit a thriving modern city where their comfort will be just as certain as if they remained at home. Hospitality and Los Angeles go hand in hand.

Just how elaborate the entertainment features are is shown in the

MOTLEY H. FLINT
Vice-President Los Angeles Trust & Savings Bank and Chairman of Entertainment Committee

complete program which is printed elsewhere in this issue of the JOURNAL. From all reports and all indications this feature of the convention will probably be the greatest in the history of convention entertainments.

According to Marco H. Hellman, chairman of the Convention Publicity Committee, there is scarcely any phase of entertainment which will not be touched upon. Ladies who attend the convention will receive special attention. In company with delegates they will be taken to the moving-picture studios, where they will witness the making of motion pictures. Those who have never seen a movie in the making will, after the convention, have a new interest in the films. The delegates will be led through a typical Mexican village erected within one of the studios and a genuine Spanish barbecue will be prepared for them.

In order to soften some of the conventional corners and make convention week a real family party, there will be an introduction tea at the Ambassador Hotel on Monday.

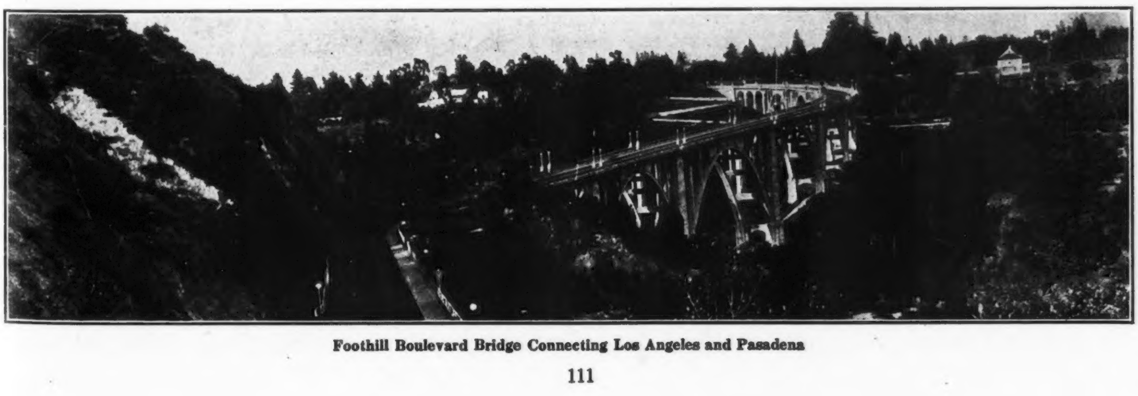
On Tuesday a big family theater party has been arranged.

On Wednesday Pasadena steps in with a demand that the ladies visit them for tea which will be served in the famous Busch gardens.

Wednesday evening Carl Laemmle has invited all visitors to Universal City, where night pictures are to be taken and a reception will be staged by motion-picture stars.

The formal ball of the convention will be held the following day, and on Friday a special lawn fête has been arranged. Details of the fête are being withheld by the committee and their secrecy promises an interesting entertainment. Saturday has been designated as Catalina Day, which means a sail on the Pacific and a peep at the bottom of the ocean.

These are some of the more outstanding items on the entertainment program. In addition, golf tournaments with prizes have been arranged and delegates will have a hard time choosing between the very many delightful opportunities open to them, ranging from trips by motor to various scenes of commanding interest to visits to the famous homes of society leaders of the hospitable city.



Foothill Boulevard Bridge Connecting Los Angeles and Pasadena

A. B. A. Convention In Detail

ALTHOUGH the annual convention of the American Bankers Association, opening in Los Angeles on October 3, is primarily a conference of bankers, the ramification of the banking interests are so extensive that every kind and every phase of business the country over will find expression in the meetings, and the opinions, decisions and recommendations will react upon the business world. In many respects this convention should be the most important, most useful of any held in recent years for the reason that it is the first convention since the world war to be held at a date sufficient to enable business men to view the situation from a safe and reliable perspective.

The interchange of views, the discussion of problems common to all parts of the country, should now be of unusual value, and it is expected that the proceedings will have a clarifying effect on business in general. To the individual it presents an invaluable opportunity for broad counsel and for new inspiration. Widespread recognition of this condition and this opportunity presages a very satisfactory attendance from the country at large. By the time this issue of the JOURNAL reaches its readers many of the delegates and guests will be on their way.

En route to Los Angeles many of these will make stops at various cities and points of scenic interest, while others will reserve those pleasures until after the close of the conferences.

General Sessions

The program of the general sessions of the convention, which will be held Tuesday, Wednesday, Thursday and Friday mornings, October 4, 5, 6 and 7, in the Auditorium, as given here, is as arranged at the time of going to press and is subject to such changes as the exigencies of the times and the location of the meeting place may require. President John S. Drum will call each session to order at 9.30 o'clock, and delegates are urged to be present at that hour. The program follows:

TUESDAY, OCT. 4

Invocation: Bishop W. B. Stevens, Episcopal Diocese.

Address of Welcome: J. M. Elliott, chairman of board, First National Bank, Los Angeles, Calif.

Response to Address of Welcome, John H. Puelicher.

Annual Address: John S. Drum, President of the Association, "Situation Today—A Country-wide Economic Survey." (This will include report of the Executive Council.)

Report of Economic Policy Commission: P. M. Warburg, Chairman.

Report of Insurance Committee: L. E. Sands, Chairman.

Report of Public Relations Commission: Francis H. Sisson, Chairman.

Report of Committee on State Legislation: Craig B. Hazlewood, Chairman.

Report of Committee on Federal Legislation: C. H. McNider, Chairman.

Report of Committee on State Taxation: Ernest J. Perry, Chairman.

Communications.

Announcements.

Adjournment.

The following official and committee reports, having been published in pamphlet form and distributed to the members, will not be read:

Executive Manager, Guy E. Bowerman.

Treasurer, Harry M. Rubey.

General Counsel, Thomas B. Paton.

Protective Department, L. W. Gammon, Manager.

Protective Committee, W. G. Fitzwilson, Secretary.

WEDNESDAY, OCT. 5

Convention called to order at 9.30 A. M., sharp, by the President, John S. Drum.

Invocation: Rev. Willsie Martin, Pastor First M. E. Church, Hollywood, Calif.

Report of Trust Company Division: Edmund D. Hulbert, President.

Report of Savings Bank Division: W. A. Sadd, President.

Address, A. D. Noyes, financial editor, New York *Times*, "Readjustments After War—Past and Prospective."

Report of National Bank Division: Henry H. McKee, President.

Report of State Bank Division: Elliott C. McDougal, President.

Address: Dr. Henry T. Suzzallo, president University of Washington, "Economic Intelligence in Public Opinion."

Report of Clearing House Section: A. A. Crane, President.

Report of American Institute of Banking: Robert E. Locke, President.

Address: Wm. Sproule, president Southern Pacific Co., "The Railroad Situation."

Report of Committee on Public and Private Thrift: S. Fred. Strong, Chairman.

Communications.

Announcements.

Adjournment.

THURSDAY, OCT. 6

Convention called to order at 9.30 A. M., sharp, by the President, John S. Drum.

Invocation: Rabbi Edgar F. Magnin, Jewish Synagogue.

Report of State Secretaries Section: D. S. Kloss, President.

Report of Commerce and Marine Commission: John McHugh, Chairman.

Address: Frank O. Watts, president First National Bank, St. Louis, Mo.; chairman American Finance Group of International Chamber of Commerce Meeting, London, June 25 to July 3, 1921. "Our Part in the World's Commerce."

Report of Committee on Public Education: John H. Puelicher, Chairman.

Address: Sir D. Drummond Fraser, K. B. E., "International Credits, Ter Meulen Bond Scheme."

Report of Nominating Committee.

Election of Officers.

Appointment of Resolutions Committee.

Address: Francis W. Hirst, late editor London *Economist* and author "The Stock Exchange"

and "The Political Economy of War"—"The Deficits, Debased Currencies and Shattered Credit of Europe—Cause and Cure."
Communications.
Announcements.
Adjournment.

FRIDAY, OCT. 7

Convention called to order at 9.30 A. M., sharp, by the President, John S. Drum.
Invocation: Rt. Rev. John J. Cantwell, Bishop Diocese of Monterey and Los Angeles.
Report of Agricultural Commission: Joseph Hirsch, Chairman.
Report of Committee of Five: Charles de B. Claiborne, Chairman.
Address: Donald McFayden, professor of classical history, University of Nebraska, "Roman Empire and Now."
Report of Resolutions Committee.
Address: Judge Charles F. Moore, Counsel Seaman Paper Company of New York, "Our Free Country."
Installation of Officers.
New Business.
Communications.
Announcements.
Adjournment *sine die*.

Divisions and Sections

The general meetings of the Divisions and Sections, arranged by days, are given below. Additional information concerning these meetings will be found in the departments devoted to Divisions and Sections in this issue:

MONDAY, OCT. 3

State Secretaries Section—2 P. M., Banquet Room No. 1, Clark Hotel.
State Bank Division—2 P. M., Ballroom, Alexandria Hotel.

TUESDAY, OCT. 4

Savings Bank Division—2 P. M., Ballroom, Alexandria Hotel.
Clearing House Section—2 P. M., Ladies' Parlor, Clark Hotel.
Trust Company Division—2 P. M., Theater, Ambassador Hotel.

WEDNESDAY, OCT. 5

State Bank Division—2 P. M., Ballroom, Alexandria Hotel.
Trust Company Division—2 P. M., Theater, Ambassador Hotel.
National Bank Division—2 P. M., Berean Hall, Auditorium.

THURSDAY, OCT. 6

Savings Bank Division—2 P. M., Ballroom, Alexandria Hotel.
Clearing House Section—2 P. M., Ladies' Parlor, Clark Hotel.
National Bank Division—2 P. M., Berean Hall, Auditorium.

Executive Committees Divisions and Sections

TRUST COMPANY DIVISION

Executive Committee, Monday, Oct. 3, 9.30 A. M., Men's Card Room, Ambassador Hotel.

CLEARING HOUSE SECTION

Executive Committee, Monday, Oct. 3, 10 A. M., Private Dining Room No. 3, Clark Hotel.

NATIONAL BANK DIVISION

Executive Committee, Monday, Oct. 3, 10 A. M., Private Dining Room No. 5, Clark Hotel.

STATE BANK DIVISION

Executive Committee, Monday, Oct. 3, 10.30 A. M., Parlor E, Alexandria Hotel.

STATE SECRETARIES SECTION

Board of Control, Monday, Oct. 3, 1.30 P. M., Banquet Room No. 1, Clark Hotel.

SAVINGS BANK DIVISION

Executive Committee, Monday, Oct. 3, 2 P. M., Private Dining Room No. 5, Clark Hotel.

General Committee Meetings

MONDAY, OCT. 3

Administrative—John S. Drum, Chairman, Parlor F, Alexandria Hotel, on call of Chairman.
Agricultural Commission—Joseph Hirsch, Chairman, Private Dining Room No. 2, Clark Hotel, 3 P. M.
Bank Advertising and Publicity Conference—Under supervision of the Public Relations Commission and with the cooperation of the Financial Advertisers Association, the meeting will be presided over by Francis H. Sisson, Chairman of Public Relations Commission. Thomas B. McAdams, Vice-President of the American Bankers Association, will be the chief speaker. A round-table discussion will follow the Chairman's lead and the address of Mr. McAdams will be followed by some of the prominent and active members of the American Bankers Association and the Financial Advertisers Association, Choral Hall, 8 P. M.
Commerce and Marine Commission — John McHugh, Chairman, Luncheon Meeting, Alexandria Hotel, 12.30 P. M.
Committee of Five—Charles de B. Claiborne, Chairman, Private Dining Room No. 5, Clark Hotel. 2.30 P. M.
Economic Policy Commission—P. M. Warburg, Chairman, Parlor E, Alexandria Hotel, 3 P. M.
Executive Council—John S. Drum, Chairman, Assembly Room, Alexandria Hotel, 8.30 P. M.
Finance—Thomas B. McAdams, Chairman, Parlor F, Alexandria Hotel, on call of Chairman.
Federal Legislation and Federal Legislative Council—Charles H. McNider, Chairman, Ladies' Parlor, Clark Hotel, 3.30 P. M.
Insurance Committee—L. E. Sands, Chairman, Private Dining Room No. 4, Clark Hotel, 11.30 A. M.
Membership—L. E. Phillips, Chairman, Parlor F, Alexandria Hotel, 3 P. M.
Public Education—John H. Puelicher, Chairman, Parlor E, Alexandria Hotel, 9.30 A. M.
Public Relations Commission — Francis H. Sisson, Chairman, Parlor E, Alexandria Hotel, 5 P. M.
Public and Private Thrift—S. Fred Strong, Chairman, Private Dining Room No. 2, Clark Hotel, 11.30 A. M.
State Taxation—Ernest J. Perry, Chairman, Ladies' Parlor, Clark Hotel, 2 P. M.
State Legislation and State Legislative Council—Craig B. Hazlewood, Chairman, Ladies' Parlor, Clark Hotel, 2.30 P. M.

TUESDAY, OCT. 4

Nominating Committee — Banquet Room No. 1, Clark Hotel, 4.30 P. M.

FRIDAY, OCT. 7

Executive Council — Organization of new Council, Assembly Room, Alexandria Hotel, 8.30 P. M.

Administrative Committee—Parlor F, Alexandria Hotel, 10.30 P. M.

Local Program

SUNDAY, OCT. 2

Los Angeles has many churches comprising all denominations and delegates and guests will be cordially received at every service. For information relating to the location of churches and the time of service inquire at Information Bureaus at the Headquarters' hotels.

The entertainment for Sunday includes automobile rides around Los Angeles and inspection of moving-picture studios.

The Robert Brunton studios, the largest commercial moving-picture studios in the world, have set aside the day for the entertainment of our guests. A typical motion picture set will be built on an elevated platform and how motion pictures are manufactured will be explained, after which a motion picture will be taken of the visitors. At the conclusion of taking the picture guests will be escorted through a typical Mexican street, at the end of which a real Spanish barbecue will be served.

MONDAY, OCT. 3

7 P. M. A subscription dinner of the Association of reserve city bankers for members only, to be presided over by President C. Howard Marfield, vice-president Seaboard National Bank, New York, Alexandria Hotel.

TUESDAY, OCT. 4

Official Smoker—This will be held at the Los Angeles Athletic Club and will consist of boxing matches, sporting events, revue, etc., followed by a buffet supper, which entertainment is provided for the members of the American Bankers Association by the Los Angeles Group of the Investment Bankers' Association.

Theater Party and Supper for the Ladies—While the smoker is in progress, the ladies will be the guests of the Ladies' Reception Committee at a theater party, followed by a supper at the Hotel Ambassador.

WEDNESDAY AFTERNOON, OCT. 5

Automobile Trip for Ladies to Pasadena—Automobiles will be provided and the afternoon's entertainment will be under the auspices of the Clearing House Association of Pasadena and the Pasadena Chamber of Commerce.

An outdoor tea will be held in Busch Gardens and there will be music and some novel features, probably including daylight fireworks, and an appropriate souvenir will be presented to each guest.

WEDNESDAY EVENING, OCT. 5

Moonlight Ride to Universal City, the great film city of the world—Carl Laemmle, president, and Manager Irving Thalberg have consented to illuminate Universal City and permit visitors to see Monte Carlo, built in duplicate of the famous resort, and used in the million dollar production of Von Stroheim's "Foolish Wives." Pictures will be taken and the stars will be on hand to greet the visitors.

THURSDAY EVENING, OCT. 6

6.30 P. M. Alumni Reception and Subscription Dinner of the American Institute of Banking, Hotel Ambassador—Dinner will be served promptly at 7 o'clock.

Formal Ball—To be held at Hotel Ambassador.

FRIDAY MORNING, OCT. 7

Golf Tournament. 9 o'clock—An eighteen-hole handicap medal golf tournament will be held at the Los Angeles Country Club, Beverly Hills.

Contestants may play either morning or afternoon.

The Los Angeles Cup—The trophy will be awarded to the player making the best net score for eighteen holes. Handsome prizes will also be given for the second, third, fourth and fifth next best net scores.

Scratch Event—Prizes will be awarded to the two best medal scores without handicap.

Blind Event Contest—No advance information will be given relative to this event. Prizes will be awarded by the committee, who will act under sealed instructions.

St. Louis Trophy—The St. Louis cup, contributed by the St. Louis bankers in 1919, will be awarded the player making the lowest medal score. The winner's name will be inscribed thereon and he may retain possession of the cup until the next A. B. A. convention. The first player winning this honor three times will get permanent possession of the cup.

Arrangements will be made to have the Country Club 'bus meet every Santa Monica interurban car leaving Los Angeles during the morning of Friday, October 7.

FRIDAY AFTERNOON, OCT. 7

Lawn Fete for the Ladies—(and probably the gentlemen would also like to look in)—To be held on the grounds of the homes of some of the Los Angeles citizens.

SATURDAY, OCT. 8

Catalina Day—Special boats will be provided to take all visitors to Avalon, Santa Catalina Island.

On arrival at Santa Catalina Island guests will be divided into two parties, one of the parties to take the glass bottom boat trip to see the submarine gardens and the other party will have a buffet barbecue luncheon at Hotel Atwater.

Those who cannot be accommodated at the Hotel Atwater will have luncheon at the Hotel St. Catherine. Immediately following luncheon the glass bottom boat trip will be taken by those who did not have the opportunity before and the first party having made the trip will then be served with luncheon.

The return to Los Angeles will be made late the same afternoon. Guests desiring to remain over Sunday at Catalina, or longer, may do so, tickets being good for sixty days.

State Associations

State associations maintaining separate headquarters are located as follows:

Illinois, Alexandria Hotel, Room 485.

Iowa, Rosslyn Hotel, Room 306.

Missouri-Kansas, Alexandria Hotel, Room 385.

New York, Alexandria Hotel, Rooms 459-460.

Ohio, Alexandria Hotel, Rooms 305-306.

Oklahoma, Alexandria Hotel, Rooms 307-308.

(*Continued on page* 134)

Representing the States

Elections of the Various State Bankers Associations Certified to the American Bankers Association to August 29, 1921

MEMBERS OF EXECUTIVE COUNCIL

(Term of office effective at meeting of Council following the adjournment of convention.)

Arkansas—Virgil C. Pettie, vice-president England National Bank, Little Rock.
California—J. B. McCargar, vice-president Crocker National Bank, San Francisco.
Georgia—Jos. S. Calhoun, president First National Bank, Cartersville.
Idaho—F. F. Johnson, vice-president Boise City National Bank, Boise.
Illinois—Frank J. Scheidenhelm, president State Bank & Trust Co., Evanston. Robert R. Ward, president Benton State Bank, Benton.
Indiana—Chas. L. Zigler, cashier First National Bank, South Bend.
Iowa—Ray Nyemaster, vice-president American Commercial & Savings Bank, Davenport.
Kansas—C. L. Brokaw, vice-president and cashier Commercial National Bank, Kansas City. Thos. B. Kennedy, president First National Bank, Junction City.
Maine—Charles S. Hichborn, president First National Granite Bank, Augusta.
Massachusetts—J. H. Soliday, president Franklin Savings Bank, Boston.
Michigan—Vernon T. Barker, president Home Savings Bank, Kalamazoo.
Minnesota, C. H. Draper, president First National Bank, Wells.
Missouri—H. Y. Lemon, vice-president National Bank of Commerce, Kansas City. R. R. Calkins, vice-president American National Bank, St. Joseph. (Tentative) W. F. Keyser, secretary Missouri Bankers Association, Sedalia.
Nebraska—Ford E. Hovey, president Stock Yards National Bank, Omaha. W. A. Taylor, vice-president Franklin County Bank, Hildreth.
New Jersey—Walter P. Gardner, vice-president N. J. Title Guarantee & Trust Co., Jersey City.
New York—S. G. H. Turner, president Second National Bank, Elmira. Chas. L. Schenck, vice-president Peoples Trust Co., Brooklyn.
North Carolina—Joseph B. Ramsey, president First National Bank, Rocky Mount.
Ohio—Robert McEvilley, vice-president First National Bank, Cincinnati.
Oklahoma—A. L. Churchill, vice-president First National Bank, Vinita.
Pennsylvania—D. S. Kloss, vice-president First National Bank, Tyrone. George D. Edwards, vice-president Commonwealth Trust Co., Pittsburgh.
Tennessee—A. R. Dodson, cashier Merchants State Bank, Humboldt. Chas. A. Lyerly, president First National Bank, Chattanooga.
Texas—J. W. Hoopes, vice-president South Texas Commercial National Bank, Houston. J. O. Sims, vice-president First National Bank, Orange.
Virginia—W. Meade Addison, president Planters National Bank, Richmond.
Washington—H. C. Lucas, President Yakima Trust Co., Yakima.
Wisconsin—Oliver C. Fuller, president First Wisconsin National Bank, Milwaukee.
Wyoming—Sumner Miller, cashier Pine Bluffs State Bank, Pine Bluffs.

NOTE: Additional members of Executive Council (one each) to be elected for Colorado, Nevada and New Mexico.

ADDITIONAL MEMBERS OF EXECUTIVE COUNCIL ELECTED TO FILL UNEXPIRED TERMS

Iowa—M. W. Fitz, president Farmers Savings Bank, Manson. (Term expires 1923.)
Montana—P. B. Bartley, vice-president Conrad Trust and Savings Bank, Helena. (Term expires 1923.)
North Carolina—J. Elwood Cox, president Commercial National Bank, High Point. (Term expires 1923.)
Wisconsin—J. U. Lademan, president Second Ward Savings Bank, Milwaukee. (Term expires 1921.)

STATE VICE-PRESIDENTS

(Term of office begins with opening date of convention.)

Alabama—A. L. Staples, president Peoples Bank, Mobile.
Arizona—Gordon H. Sawyer, vice-president Southern Arizona Bank & Trust Co., Tucson.
Arkansas—J. M. Barker, president Bank of Atkins, Atkins.
California—H. A. Mosher, vice-president Central National Bank, Oakland.
Connecticut—Frank M. Clark, cashier, Birmingham National Bank, Derby.
District of Columbia—R. N. Harper, president District National Bank, Washington.
Florida—C. A. Faircloth, president National City Bank, Tampa.
Georgia—L. R. Farmer, vice-president Bank of Louisville, Louisville.
Idaho—E. M. Ehrhardt, president Empire National Bank, Lewiston.
Illinois—Frank T. Moloney, president State National Bank, Mattoon.
Indiana—Geo. Waldschmidt, asst. cashier, Lincoln National Bank, Fort Wayne.
Iowa—E. H. Furrow, vice-president Merchants National Bank, Cedar Rapids.
Kansas—Will Wayman, president Emporia State Bank, Emporia.
Kentucky—A. T. Whitt, president Winchester Bank, Winchester.
Louisiana—Arthur Kahn, vice-president Commercial National Bank, Shreveport.
Maine—Guy P. Gannett, vice-president First National Granite Bank, Augusta.
Maryland—Heyward E. Boyce, president Drovers & Mechanics National Bank, Baltimore.
Massachusetts—Warren M. King, president Northampton National Bank, Northampton.
Michigan—John W. Haarer, vice-president and cashier City National Bank, Lansing.
Minnesota—D. D. Devine, cashier Freeborn County State Bank, Albert Lea.
Mississippi—P. C. Williams, cashier Bank of Yazoo City, Yazoo City.
Missouri—M. R. Sturtevant, vice-president Liberty Central Trust Co., St. Louis.
Montana—E. F. Meyerhoff, president First National Bank, Forsyth.
Nebraska—C. A. Smith, vice-president Tilden National Bank, Tilden.
Nevada—J. T. Goodin, cashier First National Bank, Lovelock.
New Hampshire—Harold W. Brown, treasurer Strafford Savings Bank, Dover.
New Jersey—David O. Watkins, vice-president Farmers & Mechanics National Bank, Woodbury.
New York—Frank L. Barnes, secretary Syracuse Trust Co., Syracuse.
North Carolina—R. G. Vaughn, president American Exchange National Bank, Greensboro.
North Dakota—Frank R. Scott, cashier Merchants National Bank, Fargo.
Ohio—W. G. Saxton, cashier First National Bank, Canton.
Oklahoma—D. N. Fink, president Commercial National Bank, Muskogee.
Oregon—N. U. Carpenter, president Citizens Bank, Portland.
Pennsylvania—O. Howard Wolfe, cashier Philadelphia National Bank, Philadelphia.

Rhode Island—Arthur L. Perry, treasurer Washington Trust Co., Westerly.
South Carolina—H. W. Fraser, vice-president and cashier Peoples Bank, Georgetown.
South Dakota—Fred B. Stiles, vice-president First National Bank, Watertown.
Tennessee—Frank J. Harle, cashier Cleveland National Bank, Cleveland.
Texas—Denton W. Cooley, vice-president Union National Bank, Houston.
Utah—D. A. McMillan, cashier, First National Bank, Murray.
Virginia—Tench F. Tilghman, president Citizens Bank, Norfolk.
Washington—R. L. Rutter, president Spokane & Eastern Trust Co., Spokane.
Wisconsin—Joel S. Gates, cashier, United States National Bank, Superior.
Wyoming—John W. Hay, president Rock Springs National Bank, Rock Springs.

NOTE: Additional vice-presidents (one each) to be elected for Colorado, Delaware, New Mexico, Vermont and West Virginia.

MEMBERS AND ALTERNATE MEMBERS OF NOMINATING COMMITTEE

Alabama—Foster Hamilton, cashier Bank of Alabama, Ensley. (Alternate) W. R. Hutton, vice-president Huntsville Bank & Trust Co., Huntsville.
Arizona—Morris Goldwater, president Commercial Trust & Savings Bank, Prescott.
Arkansas—Carl Hollis, cashier Merchants & Planters Trust & Savings Bank, Warren. (Alternate) Tom Davis, vice-president Bank of Conway, Conway.
California—Ralph B. Hardacre, vice-president Security Trust & Savings Bank, Los Angeles. (Alternate) Egbert A. Brown, vice-president First National Bank, Berkeley.
Connecticut—Chas. E. Hoyt, treasurer South Norwalk Trust Co., South Norwalk. (Alternate) E. S. Wolfe, president First National Bank, Bridgeport.
District of Columbia—B. F. Saul, vice-president American Security & Trust Co., Washington. (Alternate) Joshua Evans, Jr., vice-president Riggs National Bank, Washington.
Florida—E. R. Malone, president American National Bank, Pensacola. (Alternate) G. G. Ware, president First National Bank, Leesburg.
Georgia—H. Lane Young, vice-president Citizens & Southern Bank, Atlanta. (Alternate) T. Y. Smith, president Bartow Bank, Bartow.
Idaho—Frank L. Davis, cashier Fremont County Bank, Sugar City. (Alternate) Walter E. Miller, president First National Bank, Nampa.
Illinois—Geo. W. Meyer, president Bank of Edwardsville, Edwardsville. (Alternate) Wayne Hummer, president LaSalle National Bank, LaSalle.
Indiana—John C. Shirk, president National Brookville Bank. Brookville. (Alternate) Andrew Smith, vice-president Indiana National Bank, Indianapolis.
Iowa—J. H. Hogan, vice-president Des Moines National Bank, Des Moines. (Alternate) A. C. Smith, president City National Bank, Clinton.
Kansas—M. H. Malott, president Citizens Bank of Abilene, Abilene. (Alternate) W. W. Bowman, secretary Kansas Bankers Association, Topeka.
Kentucky—Mrs. C. E. Hearin, vice-president Farmers National Bank, Clay. (Alternate) R. W. Cole, cashier First National Bank, Barbourville.
Louisiana—Joe Gottlieb, president Union Bank & Trust Co., Baton Rouge. (Alternate) Travis Oliver, vice-president Central Savings Bank & Trust Co., Monroe.
Maine—S. T. Maddocks, cashier First National Bank, Boothbay Harbor. (Alternate) Geo. H. Weeks, vice-president Fidelity Trust Co., Portland.
Maryland—C. C. Homer, Jr., president Second National Bank, Baltimore. (Alternate) Gwynne Crowther, president Baltimore Commercial Bank, Baltimore.
Massachusetts—Geo. W. Hyde, vice-president First National Bank, Boston. (Alternate) F. A. Shove, treasurer Malden Savings Bank, Malden.
Michigan—Walter G. Nicholson, vice-president and cashier First & Old Detroit National Bank, Detroit. (Alternate) Paul J. Ullrich, vice-president and cashier Ullrich Savings Bank, Mt. Clemens.
Minnesota—E. L. Mattson, vice-president Midland National Bank, Minneapolis. (Alternate) J. B. Galarneault, president National Exchange Bank, St. Paul.
Mississippi—T. W. Yates, vice-president and cashier Commercial National Bank & Trust Co., Laurel. (Alternate) E. H. Henderson, president City Bank & Trust Co., Natchez.
Missouri—W. C. Gordon, president Farmers Savings Bank, Marshall. (Alternate) S. E. Trimble, vice-president and cashier Union National Bank, Springfield.
Montana—Chris Yegen, president Yegen Bros., bankers, Butte. (Alternate) W. J. Johnson, president First National Bank, Lewistown.
Nebraska—J. M. Flannigan, cashier Citizens Bank, Stuart.
Nevada—John Henderson, president Henderson Banking Co., Elko. (Alternate) E. R. Sims, cashier Bank of Sparks, Sparks.
New Hampshire—(No elections.)
New Jersey—E. A. Pruden, vice-president Fidelity Union Trust Co., Newark. (Alternate) Robert W. Howell, cashier Trenton Banking Co., Trenton.
New York—Frank K. Houston, vice-president Chemical National Bank, New York. (Alternate) Geo. G. Clarabut, vice-president Farmers National Bank, Rome.
North Carolina—W. C. Wilkinson, president Merchants & Farmers National Bank, Charlotte. (Alternate) W. A. Hunt, cashier Citizens Bank & Trust Co., Henderson.
North Dakota—Ed. Pierce, president Enderlin State Bank, Enderlin. (Alternate) W. C. Macfadden, secretary North Dakota Bankers Association, Fargo.
Ohio—W. M. Baldwin, vice-president Union Trust Co., Cleveland. (Alternate) Frank L. Stein, president Ohio National Bank, Columbus.
Oklahoma—T. J. Hartman, vice-president Producers State Bank, Tulsa. (Alternate) John Teter, vice-president First National Bank, Oklahoma City.
Oregon—L. L. Paget, vice-president First State Bank, Seaside. (Alternate) Keith Powell, vice-president Bank of Woodburn, Woodburn.
Pennsylvania—Frank Hummler, vice-president and cashier First National Bank, Scranton. (Alternate) Alexander Dunbar, vice-president and cashier Bank of Pittsburgh, N. A., Pittsburgh.
Rhode Island—Henry L. Wilcox, vice-president National Bank of Commerce, Providence. (Alternate) Edward A. Havens, assistant cashier, Mechanics National Bank, Providence.
South Carolina—J. P. Matthews, president Palmetto Natl. Bank, Columbia.
South Dakota—H. L. Merrick, cashier First National Bank, Salem. (Alternate) Thos. O'Brien, president Hoven State Bank, Hoven.
Tennessee—Jos. P. Gaut, president Holston National Bank, Knoxville. (Alternate) Jno. E. Dickson, cashier Peoples Bank & Trust Co., Bell Buckle.
Texas—Oxsheer Smith, president Citizens National Bank, Cameron. (Alternate) C. L. Wilkins, president Farmers National Bank, Brenham.
Utah—H. M. Chamberlain, cashier Walker Bros., bankers, Salt Lake City. (Alternate) Geo. A. Goff, cashier Sugar Banking Co., Salt Lake City.
Virginia—G. E. Vaughan, vice-president Peoples National Bank, Lynchburg. (Alternate) E. B. Spencer, president National Exchange Bank, Roanoke.
Washington—E. T. Coman, president Bank of Farmington, Farmington. (Alternate) R. R. Frazier, president Washington Mutual Savings Bank, Seattle.
Wisconsin—J. J. Jamieson, cashier First National Bank, Shullsburg. (Alternate) Burton M. Smith, president Bank of North Lake, North Lake.
Wyoming—George W. Perry, president Sheridan National Bank, Sheridan. (Alternate) B. F. Perkins, chairman of board, Bank of Commerce, Sheridan.

NOTE: Additional members and alternate members of Nominating Committee (one each) to be elected for Colorado, Delaware, New Mexico, Vermont and West Virginia.

"One Hundred Average Men"—A Myth

By LEO DAY WOODWORTH
Deputy Manager, American Bankers Association

THE average of economic success or failure by the individuals who comprise the nation, even by age groups would be a compilation of value to every student of thrift and saving, as we may admit without argument. In fact, it would be the "TNT" in the field of social and political discussions, an unmeasured force for good or evil. Such data would determine the direction and scope of all movements in education, in public control of private initiative, and possibly all conditions in the social and political organization.

It must, therefore, be compiled with the utmost accuracy. Not only must the records as to each individual be complete and accurate but scientific precision must be notable in classification, definition and compilation.

In 1916 a publication of the American Bankers Association contained a table entitled "Life Experience of One Hundred Average Men," which purports to give the mortality and financial status of one hundred men who began at the age of 25 as "healthy," "vigorous," "of good mental and physical capacity—but with no means except their own ability to support themselves." The statistics are for these men at periods of 10, 20, 30, 40 and 50 years later.

Although the Association is not responsible for compilation of that table, it is usually referred to as the source in publications of the U. S. Treasury Department, the insurance publication entitled "The March Through Life" and quite a variety of other material in which the results of the table are used for sales arguments and commercial exploitation.

1916 Publication Criticized

We will not reproduce a table which has been made available in so many forms of the diagram and pseudo-statistics and believe that it is unnecessary to go into further details covered by the following general observations:

(a) No authority is given or year or years stated.

(b) No data is offered either as to the economic conditions which determined these careers or the nationalities and antecedents.

(c) Definitions are lacking for such general terms as "ability," "healthy," "good resources," "moderate resources," "independent," "rich," etc.

From the frequent inquiries that reach the savings bank division with reference to the almost amazing statements of the table, we quote the following:

"This compilation seems rather inconsistent to us and as we have been thinking of giving it some publicity, we would greatly appreciate knowing as to just how you arrived at the figures and from what walks of life the one hundred men were selected. One inconsistency which we would call to your attention is that at the age of 35, out of 100 men 5 had died, 20 were rich, 40 were of moderate means, 35 were self-supporting and none were dependent. The 20 rich men at this age strikes us as being way above the average. In our opinion there are some other inconsistencies, but the above example will suffice." S. H. Benzoier, First and Security National Bank, Minneapolis.

"Unless such figures are very carefully obtained and very carefully used they can do more harm than good. For instance, it is an excellent item for radical propaganda to say that the American Bankers Association states that taking one hundred average men at the age of 25, at the age of 55 only 4 of them will have accumulated anything and kept it." J. K. Towles, Department of Commerce, Washington.

"We are much interested in this chart and wish to ascertain what method was used in distinguishing between wealthy and well-to-do persons. A man in St. Louis might be deemed well-to-do, whereas, with the same means, he would be considered wealthy in Cape Girardeau, Missouri. Similarly, a man commonly thought of as wealthy in St. Louis would not be considered deserving of that descriptive adjective in New York. We are wondering, therefore, whether your use of the word in question was postulated on a given net worth in dollars and cents, or whether, on the other hand, you used them in their relative sense, with due regard for the opinions of the public where the persons happened to reside." W. H. Wilkes, The National Bank of Commerce in St. Louis.

Statistics Found Inadequate

The writer, being of the opinion that the table should be more specific if based upon fact, and also being curious to know where the figures originated and being of the opinion that the results could not be true under ordinary conditions in America outside perhaps of the large cities, made various inquiries from reliable sources of information and submits the following as the basis for officially repudiating any responsibility for the table which has now been circulated throughout the country and in numerous ways by the U. S. Treasury Department, insurance companies, banks and especially by writers of thrift advertisements:

"I am unable to imagine any statistical basis for the statements in the pamphlet except the figures regarding the death rate. These, of course, can be accurately compiled from the mortality tables. As I was unable to locate the real statistical basis for the other statements, I was professionally curious to obtain the compiler's basis and his method of making the computations. I presume it was made by means of the cross sections method which is about as dangerous and uncertain a method as can be devised unless the cross section is a really representative one. The purpose of the pamphlet was evidently a laudable one—to encourage people to save; but one of my colleagues has suggested that

the statements might be used to foment social unrest by calling attention to the fact that so few people have sufficient funds to support themselves in their old age. The agitator would not ascribe this to spendthrift habits on the part of the populace, but to the lack of opportunity to make money." L. F. Schneckebier, Chief, Division of Research, Bureau of Foreign and Domestic Commerce, Department of Commerce, Washington.

Life Experience Table Differs

"We have no idea what basis was used for these figures. The record of the deaths, however, does not follow the general trend and indicates that the figures may have been made up from a specific group of one hundred men, rather than from averages derived from large experiences. According to this tabulation, out of one hundred men living at age 25, there are five deaths between the ages of 25 and 35; eleven deaths between 35 and 45; only four deaths between 35 and 55, and sixteen deaths between 55 and 65.

"A typical mortality experience would show an increase in the number of deaths with the advance in age, and would not show a decrease from eleven deaths during the 35-45 period to four deaths during the 45-55 period.

"According to the Life Table for Males in the Original Registration States, published in the United States Life Table, 1910, prepared by the Census Bureau under the direction of Professor Glover, out of 76,675 males living at age 25, 71,614 would be alive at age 35, 64,518 at age 45, 54,970 at age 55, 40,264 at age 65 and 21,213 at age 75. Reducing this to the basis of the article in question out of one hundred men living at age of 25 there would be about seven deaths between 25 and 35, nine deaths between 35 and 45, twelve deaths between 45 and 55, nineteen deaths between 55 and 65, and twenty-five deaths between 65 and 75.

"Professor Glover's figures for females, taken from the same census tables, show that out of 79,481 females living at age 25, 74,919 would be alive at age of 35, 68,755 at age of 45, 60,392 at age 55, 46,438 at age of 65, and 26,155 at age of 75. Reducing these figures to the basis of the article in question, of 100 females living at age 25 there would be about 6 deaths between 25 and 35, 8 deaths between 35 and 45, 10 deaths between 45 and 55, 18 deaths between 55 and 65, and 26 deaths between 65 and 75." R. C. Carpenter, Assistant Secretary, Metropolitan Life Insurance Co., New York.

From a Life Insurance Actuary

"I have endeavored to trace the source but have failed to do so. I am inclined to believe with you that the information about the percentage of dependents, wealthy persons, etc., is based largely on someone's imagination." Arthur Hunter, Chief Actuary, New York Life Insurance Co., New York.

Census Director Compares Report

"The Bureau of the Census compiles no statistics as to the wages, salaries, and income of individuals.

"Below are shown the total number of deaths out of 100 men alive at age of 25 and 35 years, 35 to 45 years of age, and so on up to age 75. These figures are based on the life table for males in the original registration states, 1910 (O. R. S. 1910, males) and the American Experience Mortality Table (Amer. Ex.):

Ages:	Original Registration States. Males:	American Experience:	'Average Men':
25 to 35	6	8	5
25 to 45	16	17	16
25 to 55	28	28	20
25 to 65	47	45	36
25 to 75	72	71	63

"I do not know the source from which the figures on the circular were obtained." Sam. L. Rogers, Director, Bureau of the Census, Washington.

The Table Repudiated

The assumed careers of "One Hundred Average Men" is to be criticized with reference to two classes of statistics, viz., mortality and economic.

As to the mortality, the table cannot be verified by either (a) the published reports on vital statistics in registration states as combined by the U. S. Bureau of the Census, or (b) the American Experience Mortality Table.

As to the statements concerning economic success or failure, we know that there are no reports upon which to make exact statements and we believe that there is no data available upon which to base even an approximation of wealth distribution by age groups.

The American Bankers Association did not compile the statistics and should not be referred to as responsible for them. *We urge that further use of such false and misleading statistics be discontinued.*

As a measure of thrift, we believe the table to be libelous both (a) on the character of the "average" real American and (b) the accomplishment of the American system of opportunity and protection for private initiative, property rights and capitalism.

Financing the Farmer

We would all find it easier to finance the farmer if he only would refrain from financing scores of other enterprises, most of them far away, and none of them having even a remote relation to the farmer's own business or his real needs. Political skylarking and ghost dancing is also supported and financed by the farmers, who in turn need just so much more financing themselves. I wonder how much the total loans in North Dakota banks have been increased by unwise investments, or speculations, in which the bankers had no part, the transactions originating between the farmers and the promoters, who in most cases were total strangers, not only to the farmers but to the community as well. A very large percentage of the farmers of North Dakota might be entirely out of debt today if they had conserved the earnings from their industry and applied them toward the payment of their debts, instead of plunging into debt for things they do not need, one of which is more land, and for speculative enterprises entirely unrelated to their own business. If they had followed the wise course they might now be financing us.—JAMES J. EARLEY.

How Much Inheritance Tax?

By FRANK M. HAYES
Phoenix Mutual Life Insurance Co., Detroit Agency

"HE that dies pays all his debts" is a quotation of Shakespeare, but at the time this quotation was written the inheritance tax situation must have been somewhat different than it is today. The words of Gibbons are more applicable to the present day, "Taxes are the perpetual theme of popular complaint," for one familiar with present-day taxation realizes that "he who dies gets into debt," for the Federal estate tax and the inheritance taxes of various states begin to get in their work immediately after death.

Inheritance taxes date back as far as Egyptian and Roman civilization. They have been known in Europe and Great Britain for years.

In 1826 Pennsylvania led the way in the United States by passing an inheritance tax law. From time to time other states have enacted similar laws.

Because questions of economic theory, social justice and political expedience are involved usually in the framing of these laws there is no uniformity. The main differences concern relationship, rates and length or conditions of residence. Inheritance taxes have been considered a penalty to be paid for the privilege of possessing property not earned. It never has been the intention of legislatures to inflict unnecessary hardship upon the beneficiaries of wealthy decedents in the framing of inheritance tax laws, but many times the effect has been just that.

There is only one reason why a man should worry about the inheritance tax on his estate, and that is his desire that his family be spared undue worry and hardship after he has passed on, satisfied that he has provided well for their future. Often the more wealth a man leaves behind the harder it is for his family, which is paradoxical to say the least.

When James Stillman died he left an estate valued at $40,000,000, from which the Federal estate tax took $10,000,000 and inheritance taxes in sixteen states lopped off another $1,531,983, making the total inheritance tax $12,354,238. Administration and accounts took $2,887,098, the income tax $825,349 and the real estate tax in New York $33,795. Thus the total deductions from the estate were $16,000,000 in round numbers, or about 40 per cent. of the estate, leaving a net estate of approximately $24,000,000.

An inheritance tax of $12,000,000 is a tidy item to be paid. As a rule taxes are paid in cash, and $12,000,000 is a lot of cash. If the estate did not have this amount of cash, then it had to be raised. Tax collectors do not play with paper assets. They want cash.

The estates of two motor car manufacturers who died in the same year amounted to approximately $100,000,000 and the inheritance taxes were in the neighborhood of $30,000,000. It is going to take some time and some liquidation of quick assets to raise this $30,000,000 in cash.

Henry Clay Frick's estate inventoried at more than $90,000,000, on which the various states in which he owned property collected $4,757,000 and the government $11,498,000. Because he owned 44,000 shares of Chicago & North Western Railroad stock Michigan collected $9,861.

In the settlement of the Woolworth estate in New York recently it was noted that a tax of $7,850,000 was levied, which caused Mrs. Woolworth to ask the property committee for the right to sell their Fifth Avenue home, valued at $500,000, to assist in raising cash to meet the tax.

E. W. Voight's estate was taxed to the extent of $294,830.86 by the Federal government, in addition to the Michigan state tax. Mr. Voight died intestate, leaving an estate of gross valuation of upwards of $3,000,000.

One of the oddities developing from the inheritance tax came up when the estate of Charles L. Freer was inventoried. Mr. Freer left to the Smithsonian Institution his famous Whistler collection, including the Peacock Room. This collection was valued at $2,859,880.25. The Smithsonian Institution is a government unit, and while gifts to charitable and educational institutions are exempt from taxes, both government and state, in this case the Michigan law provides that gifts to institutions outside of the state are taxable.

Therefore, the government must pay Michigan $400,000 in inheritance taxes out of the estate. The government can do this readily because it has plenty of cash.

Had this been a gift to private individuals they would have had to find $400,000 in cash or quick assets acceptable to the state revenue department.

Reports from Washington indicate that a bill pending before Congress will decrease the present exemption from $50,000 to $25,000 and the rate of tax will increase materially, especially in the larger estates.

So far I have been dealing only with large fortunes, but the rule of cash for taxes applies equally to smaller fortunes, and in many cases imposes greater hardships for the reason that the ratio of quick assets and cash to the total estate is likely to be much lower and the payment of the taxes the more difficult.

As a matter of fact, I believe attention should be directed to the young man who has accumulated wealth rapidly and to the man who has recently come into the $200,000 class. Because of their lack of information neither of these men realize how these taxes depreciate his gross estate.

These men very probably have not made their wills, have had no experience with trust companies and lack the appreciation of a good trust company connection. These fortunes, if properly handled and safeguarded, should increase, but it may be some time before these men are as familiar with the operations of a trust company as are the members of the older wealthy families. The trust company in both instances can perform a real service by suggesting the necessity for meeting inheritance taxes and the proper method for handling this vexing question.

The tendency of revenue departments in collecting inheritance taxes is to take the center out of the pie—in other words, to pick on those assets easily convertible into cash. For illustration, let us take an estate valued at $1,000,000. It consists of some cash and Liberty bonds, some first-class securities, investment in a business, some real estate, second-class stock and bonds and perhaps some wildcat investments. The tax will amount to $120,000 and the administration costs $30,000, a total of $150,000 to be collected in inheritance taxes. If this property is scattered about in more than one state there will be numerous different taxes to be collected according to different laws. What will the revenue departments take out of the estate for these taxes? Very likely it will be the available cash.

Should the cash be insufficient the next inroad will be made on such securities as can be converted into cash. The government may or may not take its own Liberty bonds. More likely it will require the sale of these bonds and of securities to an extent sufficient to meet the taxes. If the bonds or other securities are sold on a slow market there will be a loss. The same condition may apply to the real estate. The wild-cat stuff, the second-class bonds and the business will be the last assets considered available for taxes. It is possible that the sale of any of the securities or of the real estate may seriously affect the business. Disturbance of the business assets would be serious, especially with the directing head removed.

Of course, it is useless to try to beat the inheritance tax by increasing wealth. It would be just as sensible to try to climb a mountain by digging a hole. It cannot be done. There are three ways out, so far as I can see. One is to avoid having wealth. Another is to keep on achieving success and collecting the reward with utter disregard of what may happen after the shades of life have been drawn, and the other way is to establish a sinking fund with which to settle state and Federal inheritance taxes so that the estate may be left intact.

On a net estate of $294,148.81 these costs resulted: Probate court fees, $172; appraisers' fees, $620; administrator's fees, $2,000; attorney's fees, $1,014.88; distributors' fees, $300; clerical service, $100; total, $4,206.88. State inheritance

tax, $4,767.27; penalty tax, $119; Federal income tax, $35.33; Federal inheritance tax, $9,376.46; tax transfers, other states, $828.18; income taxes, other states, $500; total, $13,626.24; grand total, $19,833.12. This is an actual cost and taxation sheet, which shows the depreciation of an estate. Unless there is ash on hand to meet this expense, then some items in the estate must be liquidated to furnish the cash.

Alabama, South Carolina, Florida and the District of Columbia have no state or district inheritance taxes. All other states in the Union have, and they have also different laws governing those taxes. The Federal law is uniform, so that in the settlement of an estate the trust company, executor or administrator knows just what the government will call for. The more states there are having inheritance tax claims on the estate, the more complicated the process of settlement.

Inheritance taxes must be considered in two general classes, Federal and state. The Federal tax is called an "estate tax" and is levied on the whole net estate of the decedent, payable by the executor before distribution regardless of its effect on the inheritors. The first $50,000 is exempt. The tax is due one year after the decedent's death, but extensions of time may be allowed up to five years, and by special permission even longer periods.

Each state having its own laws and schedule of taxes, it would be too cumbersome to handle each one separately, therefore the following Federal tax schedule only is given, which must be considered in addition to the states' schedules:

Rate of Tax		Tax	Total Federal Tax	Total Net Estate
No tax on first	$50,000	......	......	$50,000
1 per cent. on next	50,000	$500	500	100,000
2 " " " "	100,000	2,000	2,500	200,000
3 " " " "	100,000	3,000	5,500	300.000
4 " " " "	200,000	8,000	13,500	500,000
6 " " " "	300,000	18,000	31,500	800,000
8 " " " "	250,000	20,000	51,500	1,050,000
10 " " " "	500,000	50,000	101,500	1,550,000
12 " " " "	500,000	60,000	161,500	2,050,000
14 " " " "	1,000,000	140,000	301,500	3,050,000
16 " " " "	1,000,000	160,000	461,500	4,050,000
18 " " " "	1,000,000	180,000	641,500	5,050,000
20 " " " "	3,000,000	600,000	1,241,500	8,050,000
22 " " " "	2,000,000	440,000	1,681,500	10,050,000

The majority of the states having an inheritance tax law impose a tax on transfers of property, wherever located, belonging to a resident deceased. Because this is not an invariable rule, liability for inheritance taxes presents a difficult problem.

Under the Federal law, where property is held jointly, if one-half was contributed by the decedent and the other half by the survivor, the decedent's estate pays the tax on one-half of the property. On the other hand, if the survivor contributed all of the property and merely agreed to joint ownership, no tax can be collected on any of the property until the survivor dies. If the decedent contributed all of the property, then the decedent's estate pays the tax and there is no claim against the survivor.

The growing importance of protecting estates from disorganization, and in some cases wholly unnecessary and unreasonable depreciation in the payment of inheritance taxes, has brought into favor the purchase of life insurance in large sums, not primarily to indemnify life but to indemnify the estate. All the rules and regulations, rates and premiums governing life insurance apply to policies taken out to meet inheritance taxes and other costs levied upon estates. The sale of life insurance for this purpose adds another department to underwriting. The company and its agents specializing in inheritance tax insurance must be well versed in inheritance tax laws, as well as the numerous subterfuges attempted to avoid these taxes.

Personal life insurance up to $40,000 is exempt from taxation. Estates up to $50,000 are exempt from Federal inheritance taxes, and certain exemptions are allowed in various states. Omitting the states, the Federal exemption and life insurance exemption provide at total exemption of $90,000. Life insurance is paid in cash and is available for taxes, leaving the estate intact.

A man in the prime of life, with every prospect of living at least his allotted three score or more years, cannot determine what his estate will be at death. It may be multiplied many times over, but the flexibility of insurance provides against this uncertainty. It can be increased as the estate grows, with the result that at the time of death the insurance can be made sufficient to cover all expenses and taxes, maintain the integrity of the estate and protect business from disorganization and the heirs from exorbitant fees and undue worry.

There is an increasing tendency on the part of men with considerable property to be passed on to their families, business associates or relatives to place the final settlement of their estates in the hands of a trust company. This is particularly advisable in these days of supertaxation for the reason that trust companies have the facilities and the experts to administer estates with the least loss to the beneficiaries.

Notwithstanding the educational work already done by some of the progressive trust companies, the splendid advertising campaigns they have carried through, the missionary work of the life insurance expert, who perhaps is more familiar with the tax laws than many lawyers, and who has already provided for millions of dollars for tax purposes alone, there still remains a woeful lack of information on the part of those vitally concerned, the men whose estates must pay the tax bills. A general advertising campaign is good, but a service brought to the personal attention of the client is better, especially when we realize how much to the client's advantage this service really is.

The question naturally suggests itself, Is an officer of a trust company discharging his full obligation to his client if the question is not brought to the client's attention and a means suggested for meeting the tax?

Much to my surprise I have found a hesitancy on the part of some trust officers to approach the question. It should resolve itself into a question of service, and if the question is answered in the affirmative there should be no hesitation. I am firmly convinced that life insurance properly placed offers the best method by which these taxes can be met. I am also convinced that any client would appreciate any suggestions made by a trust company officer, who diplomatically pointed out the seriousness of the tax situation.

The life insurance salesman has demonstrated his willingness to cooperate with the trust company by having these funds paid to the company as trustee. His chief aim is service to his client, and this service is not complete unless a way is provided for the proper administration of an estate. This may or may not meet with unqualified approval. Then let it be suggested that the trust company officer study this angle as one solution of the question, call to his office a competent life insurance expert in order that he may realize fully how far insurance will go toward making adequate provision.

Adequate provision means the saving of an estate intact, if possible. A life insurance contract which provides for taxes and expenses incident to the settlement of an estate does leave the estate intact and provides a larger net fund for the trust company to administer.

New Banking House in Pasadena

The Union Trust and Savings Branch of the Los Angeles Trust and Savings Bank will erect at Pasadena, Calif., a ten-story bank and office building at a cost of a million dollars. Tentative plans include an arcade of shops, committee rooms for civic organizations and a roof garden.

Convention Calendar

Date	Association	Place
Sept. 1	Delaware	Rehoboth
Sept. 9-10	New Mexico	Santa Fe
Sept. 13-14	Colorado	Denver
Sept. 14-15	West Virginia,	Parkersburg
Oct. 3-8	A. B. A.,	Los Angeles, Calif.
Nov. 4-5	Castle Hot Springs,	Ariz.

The Month of August in Washington

By EARL HAMILTON SMITH

THE principal events in August in Washington of interest to the banking world were as follows:

1. Passage of the new tax bill by the House;

2. Enactment of the billion dollar agricultural credits law;

3. Enactment of the "Grain Gambling" law;

4. Passage by the House of the railroad relief bill;

Among the relatively minor financial matters approved by Congress were the appropriation of $200,000 for the expenses of the disarmament conference, and the voting of $48,500,000 as a supplementary appropriation for the Shipping Board. Mr. Lasker began by asking for $125,000,000. A few millions more or less seem to mean nothing in the young life of the Shipping Board in the form in which the new regimé inherited it, but the belief still exists in Washington that the change of control will eventually straighten out the shipping muddle. Liquidation by the board of the surplus wooden ships began on August 22 with the sale of a batch for $2,100 each, but many here believe that even that is better than paying out huge sums annually for upkeep while the ships float idly in backwaters.

The New Tax Law

It is felt that the House helped to clear the air quite a bit when it passed the new revenue tax bill, with most of its important features becoming effective on January 1, 1922. The bill passed the House on August 19 and went to the Senate Committee on Finance, of which Senator Penrose is chairman. The committee will give some preliminary consideration to it during the recess from August 25 to September 21. Although the committee received the tariff bill first it will take up the tax bill and report it out, with important changes, ahead of tariff. The people want to know how much they must pay, and in what manner, rather than what they will give the government indirectly through the tariff.

Even with prompt action by the committee, and then by the Senate as a whole, the bill can hardly emerge from the conference, approved by both Houses and signed by the President before about November 1, thus giving sixty days or less for the country to adjust itself to the vital alterations. True it is that "nothing is surer than death and taxes," but nevertheless everybody, including business and finance, needs to know a long time ahead what to expect from the latter, at any rate.

The announcement of a saving of $818,000,000 over the present revenue law cannot be more than an estimate. It is expected to produce $3,347,000,000 this fiscal year, which is $221,000,000 less than the amount expected per annum from the one now in force. The saving for the next calendar year is estimated at $512,000,000, rising to $818,000,000 by 1923.

Repeal of the excess profits provision is, of course, the most satisfactory innovation. There was the usual talk in the House, on the part of a few, that "it is a rich man's bill and hits the poor man" because the excess profits procedure was dropped. The majority of members, however, and the general public as well, it is believed, now realize that the method merely discouraged business initiative, falling with great harshness on small business men who made a relatively large profit on a low investment and not preventing big business from passing the tax on to the ultimate consumer. To have made the repeal of the excess profits clause retroactive to January 1, 1921, would have cost the government $200,000,000, which will now be collected for the calendar year 1921.

The repeal of the income surtax rates from 32 to 65 per cent., inclusive, may be upheld by the Senate Finance Committee, but the repeal will be criticized on the floor of that body as going too easy on the very large incomes. Likewise, many senators will contend that the increase of the corporation income tax from 10 to 12 per cent. is not enough.

Naturally the greatly widened exemption for married people, and those having dependents, with incomes less than $5,000 a year is quite popular with the voters, as is also the repeal of the luxury taxes now collected by retailers and the substitution of a manufacturer's tax of 5 per cent. The present exemption of $2,000 plus $200 for each dependent was raised to $2,500 plus $400 for each dependent.

Other popular changes, all to be effective on enactment, are:

Tax on candy cut from 5 to 3 per cent.;

Elimination of the 10 per cent. tax on baseball equipment and other "garden variety" of sporting goods and reducing to 5 per cent. the tax on alleged sporting "luxuries," such as those used in tennis and golf. These last two, apparently, are the pleasures of the "idle rich" and therefore become "luxuries." Baseball, however, for which the public pays millions of dollars every year, supporting a small army of professional athletes on princely incomes, is considered the essential and innocent pastime of the masses. To tax that "would be, sirs, to rob the proletariat of its simple joys," intones the orator, both in and out of Congress;

Repeal of the tax on soda fountain beverages, ice cream, perfumes, cosmetics, toilet preparations and proprietary medicine, to be taken care of by the above mentioned manufacturer's tax;

Repeal of transportation taxes, effective January 1, 1922.

It is a political tax bill, rather than scientific, or even straight-out business, framed on the theory that the pill goes down better when it is sugar coated. A long standing explanation for the high protective tariff has been that all citizens pay to the government indirectly and make fewer complaints in consequence than they would if the full amount of their tax burdens was revealed to them by the harrassed

law-givers, who are unable, in these modern days, to cause money to gush forth merely by smiting a rock.

One Billion for Agriculture

Enactment of the agricultural credits bill at midnight of the 24th-25th, authorizing the War Finance Corporation to loan one billion dollars on agricultural commodities, just under the wire of recess adjournment, is regarded in Washington as a great victory for the "agricultural bloc." It makes a huge sum available, subject to regulations and procedure to be announced later by Mr. Meyer, and to that important extent it carries out the otherwise disturbing Norris bill. It will be remembered that in July Senator Norris of Nebraska introduced his bill, backed by the so-called agricultural bloc, organizing a new billion dollar governmental corporation for the purpose of extending farm credits, and also going so far as to direct the government to buy the products from the farmer and then try to sell them without loss in the open market. The only part of the bill allowed to live by the Senate Finance Committee was the essential but safe proviso making the money available only upon adequate credit and collateral and using the War Finance Corporation, a going concern, as the controlling medium. The conservative "Right," led by Penrose, believes it headed off a dangerous socialistic project, while the progressive "Left" is of the opinion that it took a fall out of "the Street" As a matter of fact, the happy medium seems to have been attained, and with wise administration of the funds the measure should prove to be as valuable a factor as the new tax law, new tariff and railroad relief in starting a real movement toward the resumption of prosperity. To this extent, then, the credit belongs to the "bloc," which insisted on relief for prostrate agriculture.

The Grain Control Law

Senator Arthur Capper's bill to control the grain exchanges, which he and his followers called the "anti-grain gambling bill," passed both Houses late in August over the loud protests of the Chicago Board of Trade and its associated bodies. "The boards of trade will be ruined," they said. To which the farmer solons replied "the boards have already ruined thousands of farmers."

Although the Chicago Board of Trade averaged about 3,250,000,000 bushels of grain in a year, it dealt in futures, a theoretical volume of from 15,000,000,000 to 18,000,000,000 bushels a year. In more than 99 per cent. of deals, Congress was told, no grain was ever delivered, but the bulls and bears, most of whom rarely went on a farm, played around profitably, in theory, with more grain than there was in the world. The traders make their money, as everybody knows, from the people who play the market. The volume of business handled there in a year was sometimes as high as $15,000,000,000. There are similar boards in thirteen other cities, all of which now pass under the control of the Secretary of Agriculture. It is claimed that the new law will stop the following practices: "Market manipulation by big traders; dissemination of false crop information; gambling in indemnities or 'puts' and 'calls'; reckless speculation in foodstuffs." Penalties are as high as one year in jail and a fine of $10,000. Leaders of the grain exchanges claim the law will put another clutch of governmental interference on business, and its development will be watched with interest by economists and bankers.

"Who is this agricultural bloc-head?" asked a standpatter indignantly when told that the leader of the group insisted on getting action in the special session. The question was carried to Senator William S. Kenyon of Iowa, chairman of the group conferences, which at times last month included thirty senators, or nearly one-third of the Senate membership. Senator Kenyon smiled and said "the bloc has no head." Kenyon, however, is regarded as the head of the group, which must be taken seriously by the government and big business from now on. Their solidarity is likely to continue for some time, but Kenyon and Capper make light of the stories that the farmer solons are planning a new party and plotting all sorts of insurrections within the old Republican party. "There is absolutely nothing in the report, but we intend to see that the farmer has justice," said Kenyon recently.

Railroad Relief

On August 23 the railroad credit bill passed the House by a vote of 214 to 123 and will go to the floor of the Senate early in October. A bitter attack will be made upon it then by many Democrats and Republicans, but its passage is expected along the lines requested by the President in July and as put through the House. The salient feature, authorizing the War Finance Corporation to purchase railroad securities and then sell them in the open market for the purpose of extending a credit of $500,000,000 to the lines, still stands.

A minority report signed by Senators La Follette, Republican, Wisconsin; Stanley, Democrat, Kentucky, and Pittman, Democrat, Nevada, declares the proposed law would put the government in the stock market and "under the terms of the bill the government will almost certainly lose millions of dollars in the proposed transactions." They base this claim on the fact that the government is to get only 6 per cent. from the lines for the deferred payments they are to hand over to the government in ten years, whereas it will have to pay at least 7 per cent. on the railroad securities it offers to the public if it expects any takers. This point will be answered by the proponents of the bill when the Senate takes it up next month.

How much of Mr. McAdoo's statement against the bill will impress the Senate remains to be seen. McAdoo, in his letter to Senator Stanley on August 24, said the lines owe the government the sum of $1,144,000,000 for "additions and betterments" put in by the government while they were nationalized and never repaid. In taking issue with President Harding he claims there will be "added investment, added liability, added tax burden." In addition to the huge sum McAdoo asserts the lines owe for additions and betterments, he adds $300,000,000 loaned under the Esch-Cummins law, making his total $1,444,000,000.

A Banker's First Duty

By E. C. McDOUGAL
President State Bank Division, American Bankers Association

It is Not Now to Make Large Profits for Stockholders, But to Keep Legitimate Business Alive. How Congress Can Help in Curing the Present Depression.

THE State Bank Division chiefly represents not the so-called money power of our larger cities, but the smaller communities, and the common prejudice against a banking power popularly supposed to be in the hands of a small clique of powerful bankers does not apply to the Association which I represent.

The Price Increase

It often is useful to marshal well-known facts in a new way. I shall emphasize my main point concerning taxation by repetition. Its dominating importance not only justifies but demands such treatment.

During the first years of the war the productive capacity of Europe, as a whole, except for war purposes, largely ceased. Because of our vast resources, and because of the much longer time necessary for steamship transport from Asia and South America, we could sell to western Europe anything it needed that we could produce, at practically our own prices. When we entered the war the demands of our government were added to those of Europe, and prices still rose. Any concern that could deliver goods promptly could name its own price, except in cases where prices were fixed by the government. Merchants and manufacturers bid against each other for labor, and for prompt deliveries of material. The government bid ridiculous prices for labor, both manual and clerical, paying in many cases two and three times what clerks and stenographers were worth. The government established the vicious cost-plus system. Under it the more the expense and inefficiency the more the profit for the contractor. Demands of labor for increases in wages were promptly met, and the cost added to the product, the increased price of which was promptly paid; but still labor was steadily employed, and, partly because of prompt concessions of most of labor's demands, and partly because of the general sentiment against strikes during the war, there were few strikes as compared with the number since the war. There was no system in price increases. Labor got what it could. Manufacturers and merchants got what they could. The result was great inequality in comparative prices and margins of profit, much of which still exists.

When the armistice was signed labor felt that it no longer was unpatriotic to strike. Our citizens felt that it no longer was necessary for them to save to buy Liberty Bonds, nor to keep up their payments on bonds contracted for, nor even to keep bonds for which they had paid. They began to spend not only their income, but their principal. They spent extravagantly and blindly. It is evident that their purchasing power immediately succeeding the armistice was fictitious, temporary, and much in excess of their normal purchasing power even at high wages. Probably, by this time, all but habitual savers have spent their thrift accumulations, and now find that their wages are not sufficient to enable them to continue to pay present only partially reduced prices. Their purchasing power is markedly impaired. When purchasing power declines prices decline with it.

An address before the National Association of Supervisors of State Banks at Philadelphia.

To Grow in Wealth

To continue to turn out at excessively high cost goods produced on a basis of not more than 50 per cent. efficiency of production, and to sell them to one another, does not make this country rich. To grow in wealth we must produce as much as possible, as cheaply as possible, use no more than we actually need, and sell the surplus to the world. The purchasing power of the world is much less than formerly. Europe cannot pay cash for our goods. We must either trust its buyers, and sell them our goods on long credits, or we must take their goods in exchange. If Europe be industrially crippled it cannot ship us goods sufficient to pay for our surplus goods. If Europe be not industrially crippled, but is, or very soon will become, as strong as ever, then it can produce goods much cheaper than we can today, and we must compete with it not only in the markets of the world but in our own markets also. The inevitable result in either case will be still further declines in prices and wages. Remember that during the war Europe had to have our goods at any price, and at once. Now if our prices are too high they can either wait until prices come down, or in many cases they can make their own goods.

There still is much liquidation to be accomplished, although it would appear that in a number of lines full liquidation has been accomplished and prices have gotten to as low a point as can be expected. Perhaps it would be too much to expect that all commodities shall be fairly and equably liquidated, but when a great majority are so liquidated and the public is so convinced, and when our burdensome taxes have been materially lightened, then, and not till then, may we look for a genuine revival of business.

Readjustment of prices must be radical and complete. In some commodities, of which copper, cotton, hides and rubber are conspicuous examples, it is practically complete. In many others, such as farm implements, fertilizers, building materials, house furnishings, and especially in the cost of building construction, it is only begun. One of the last readjustments will be that of labor.

Keep Business Alive

It is the plain duty of every bank at present, in dealing with its regular customers, to take more than ordinary risks rather than through timidity, selfishness or shortsightedness to force into bankruptcy businesses which otherwise would live, to add to the number of wrecks at a time when the wreckage would sell for almost nothing, to cause unnecessary loss and heartbreaking sorrow to individuals, to add to the general depression. It is not putting it any too strongly to say that a bank which during these times forces into bankruptcy a business which otherwise would live commits unnecessary financial murder. A banker's first and highest duty now is not to make large profits for stockholders, but to keep business alive.

The Responsibility

There is much crimination and recrimination concerning the responsibility for the present depression. As a matter of fact we all were to blame; bankers, investors, merchants, manufacturers, labor and farmers. The main cause was the war, but the nation was drunk with prosperity and the hope of quick and easy gains. The great majority attempted to profiteer. Few were willing to earn success by hard work. Everyone is blaming everyone but himself. There is much misrepresentation concerning large incomes. Should Mr. Rockefeller's yearly income be a million dollars or more, as is claimed, does he get it? No! He gets only about one-third of it. The other two-thirds goes for taxes. The same principle applies to all incomes, the larger the income the smaller percentage a man retains for

his own use, unless he invests in tax free bonds and is satisfied with a very low rate of interest; but honest misconception, abetted by deliberate misrepresentation, ignorance, prejudice and envy, intensify the discontent of the thriftless and unfortunate.

Government Policy

One contributing cause was the unsound financial policy of the government in issuing bonds bearing fictitiously low rates of interest. These bonds were not attractive to the average investor, who could get much larger returns on other bonds nearly as good. Under pressure from the government the Federal Reserve Board kept Federal reserve bank loaning rates about 2 per cent. below normal. Good bankers knew that this was wrong, that it would bring about inflation, which in turn would intensify the present depression, and that the resultant cost to the government and loss to the public would be much greater than did the government pay the market rate for the money it wished to borrow. The government would not listen to good advice. Through the Federal reserve banks it practically forced the bankers of this country to force their customers to buy Liberty bonds, and to loan them at fictitiously low rates money to buy bonds. Then, when the government had no more bonds to sell, its pressure was withdrawn, the Federal reserve banks raised their rates to the figures which should have been established at the beginning of the war, and the public was compelled either to carry the bonds at a yearly loss of interest or to sell them at a serious loss of principal. In the meantime the government has been buying back from time to time, at a heavy discount, bonds that it had forced the public to take at par, at the same time boasting of the saving. This comes very near to plain dishonesty.

What Credit Needs

Should the government continue to interfere in our banking business except for the enforcement of law and the protection of depositors, it inevitably will make the same record of inefficiency and failure as in designing airplanes, in building and operating ships, and in operating railroads. Hampered by red tape, banks will not be able to give the public good service. Strict supervision, criticism and correction should be maintained, but the government should not pass the line that separates these proper functions from actual management. Credit, without which this country never could have developed and outstripped all others, cannot thrive shackled by politics and bureaucracy.

The artificially low rates of interest tempted banks which wished to overtrade. They borrowed from the Federal reserve bank and re-loaned to business men and speculators at high rates, making large profits. Many bankers went further. They forgot that they were bankers. They became promoters and speculators. Bankers who overtraded as bankers, bankers who became promoters and speculators, and the government, which coerced the Federal Reserve Board, are chargeable with a very large share of responsibility for much of the inflation which led to the present depression. When handing out easy money they were popular. No one criticised them. Now, when they are doing their best to correct the mistakes previously made, when, by keeping up rates of discount on frozen credits and dead loans, they are trying to check speculation on the stock exchanges, in raw goods, in manufactured goods, and to bring about the necessary deflation in stocks of goods and in prices, they are criticised. Although at present they are right they must endure this criticism because previously they were wrong. Bankers as a class cannot deny their share of responsibility for present conditions, but, with a small percentage of glaring exceptions, I have no hesitation in claiming that they have done their duty during the last few years better than any other business class, and that there is no commodity in which there has been so little profiteering, and in which the increase in price has been so small, as in the price of credit from a bank to its customers.

Government Interference

Should the government continue to interfere in our banking business, except for the enforcement of law and the protection of depositors, it inevitably will make the same record of inefficiency and failure as in designing airplanes, in building and operating ships, and in operating railroads. Hampered by red tape, banks will not be able to give the public good service. St ct supervision, criticism and correction should be maintained, but the government should not pass the line that separates these proper functions from actual management. Credit, without which this countr never could have developed and outstripped all others, cannot thrive shackled by politics and bureaucracy.

Before the Federal reserve system was established financial panic often accompanied severe business depression. We must not forget that they are two entirely different things, although either may bring on the other. The Federal reserve system is not a cure-all which allows the business men of this country to violate all good business rules and principles and guarantees them against the consequences of their own acts, but it has made the old-fashioned monetary panic (and we must not forget the qualifying word "monetary") practically impossible. Our monetary panics were chiefly brought on and intensified by our inelastic currency system. No matter how good a bank might be it could not be sure that it could procure currency for its customers to the extent of their demands, consequently in many cases it refused to pay out currency, thereby promoting panic. Under our Federal reserve system that is changed. Any good bank can get all the currency that its depositors need. The Federal reserve system will not allow any good bank to fail. Because of this there is a very slight possibility of a purely financial panic. If one should occur it probably would be of very short duration. Here is a solid foundation on which to build future prosperity.

As compared with ordinary business failures bank failures are few. As a rule the percentage of loss to depositors of failed banks very seldom amounts to as much as fifty per cent., and the average is much less. The creditors of ordinary business failures think themselves very fortunate if they lose as little as fifty per cent. Business men are not so restricted by law. Many of them who ordinarily do not speculate have been speculating in commodities outside of their own line of business. The lack of foresight which many have shown is appalling. The day of reckoning is here.

Keep Business Going

In times like these many borrowers cannot pay the principal, or even any part of the principal of their debts. Should such borrowers be sound, should their banks be convinced that they are doing their best, that if not pressed they could pay their interest regularly and carry on business until times improve, but that if they were asked to repay any considerable part of their principal they could not do so but must go into bankruptcy, it plainly would be wise to carry them through. Then when good times came they gradually could pay off the principal. It is the plain duty of every bank at present, in dealing with its regular customers, to take more than ordinary risks rather than through timidity, selfishness or shortsightedness, to force into bankruptcy business which otherwise would live, to add to the number of wrecks at a time when the wreckage would sell for almost nothing, to cause unnecessary loss and heartbreaking sorrow to individuals, to add to the general depression. It is not putting it any too strongly to say that a bank which during these times forces into bankruptcy a business which otherwise would live, commits unnecessary financial murder. A banker's first and highest duty now is not to make large profits for stockholders, but to keep business alive.

Business, Not Speculation

This does not mean that banks should carry speculators. Neither does it mean that a business man must not be forced to liquidate, but that he must not be forced to liquidate too rapidly, and that his bank should not cripple him by seizing the proceeds of liquidation but should allow such proceeds to remain in the business if necessary. Should a

business man be told that his bank will carry him through, providing he will follow the policy of gradual contraction and liquidation, and should he be stubborn and refuse, as unfortunately some do, then he would have no right to complain should the bank force liquidation, but, even then, the liquidation should be gradual.

In government finance the same principle should apply. The net debt of our government, after deducting what is owing us by foreign governments, the greater part of which we reasonably may expect to receive in due time, does not at the very outside exceed fourteen billions of dollars. Although we should not speak flippantly of so large an obligation, it still is true that, as compared with our natural resources, and as compared with the debts of European nations, ours is a very moderate debt. Providing reasonable economy be exercised in every other governmental expenditure, the taxation necessary to pay the interest on this debt, plus the ordinary expense of our government, need not be nearly so heavy as it is today.

The Public Debt

It must be borne in mind, however, that for the present our government is not receiving interest on the amount owing it by foreign governments, which, with accumulated interest up to date roughly may be stated as about ten billions of dollars. For the present our tax budget must provide not only for the interest on our net debt of about fourteen billions of dollars, but on our gross debt of about twenty-four billions of dollars. This emphasizes the need of the most drastic and apparently impossible economy, not by some other Congress, at some indefinite time in the future, but by the present Congress, and now.

Notwithstanding economic theories, applicable in normal times, but out of place today, until the running expenses of the government can be very largely reduced, and until foreign nations can arrange for the refunding of their debts to us and for the regular payment of interest thereon, there is no good reason why, during this acute depression, we should be taxed to retire any of the principal of a debt which we easily can carry. Surely we should not be taxed to enable the government to buy back from us at say ninety cents on the dollar its own bonds for which it received from us one hundred cents on the dollar.

All that sound government financing at present requires is that a date should be set, say three years from now, or at the very furthest not more than five years from now, upon which date we should begin regular payments upon the principal of our government debt. By that time our burdens should be lighter, and, so far as human judgment can discern, and providing heavy taxes do not prevent, we should be well started on a period of prosperity unexampled in our history. Until then our citizens should not be burdened with unnecessary taxation, which surely would discourage enterprise, and might postpone the business revival.

One essential is that the government should refund its floating debt. The Secretary of the Treasury so recommends. A large part of that floating debt now is carried by banks, who, in turn, are being carried by the Federal reserve banks. It should be converted into bonds, attractive to the general public, and gradually be absorbed by them. This should be done at the first favorable opportunity. In the meantime public endorsement by Congress of such a policy would be reassuring. When the banks are relieved of this burden they will be better able to reduce their borrowings from the Federal reserve banks and thus prepare themselves to finance business enterprise.

Coordination Suggested

It well may be suggested that Congress should coordinate as parts of one body, under one executive head, the Interstate Commerce Commission and the United State Railroad Labor Board. The power to regulate wages, and the power to regulate passenger fares and freight rates, should be under one control. Then, should it become necessary to raise wages, fares and freight rates could be raised to meet them, where necessary. Should it become necessary to reduce fares and freight rates, then wages could be reduced where necessary. Should it be claimed that wages could be raised without raising fares and freight rates, or that fares and freight rates could be reduced without reducing wages, the question properly could be determined only by cooperation between the Interstate Commerce Commission and the United States Railroad Labor Board. To continue these two bodies as entirely independent organizations, one with the power to regulate wages and not in any way obliged to consider their relation to revenue, and the other with the power to regulate fares and freight charges, and not in any way obliged to consider their relation to wages is evidently unsound, and is bound to cause constant mischief.

The Price of Credit

There is no commodity in which there has been so little profiteering and in which the increase in price has been so small as in the price of credit from a bank to its customers.

We have been very unwise in defaming our large corporations which trade abroad. Politically that may be very popular, but when our government publicly and officially injures in the sight of foreign nations the corporations which are endeavoring to extend our business with foreign nations we are damaging ourselves. I challenge those who have done so to point to any similar practice on the part of foreign governments worthy of the name. Our corporations should obey the law, but enterprise and success under the law are not evidence of criminality.

For a business revival we must have more capital. There are three main sources of capital—the savings of labor, the saving of business, and the savings of investors. It must be apparent to all that so far as labor is concerned we are not a nation of savers, that from the savings of labor we cannot hope to accumulate more than a small part of the capital we need. Although labor will not save it will spend, and as it pays a very small rate of income tax its spending capacity is large, creates business, and turns over to the business man and investor, to be accumulated as new capital, that which itself will not accumulate. For some time we cannot hope for foreign capital, which has helped us in the past. This leaves available for the main supply of capital only the savings of business and investors in this country. When the government, by heavy surtaxes, takes the most of this, it confiscates the most of the only adequate available capital which we must have to save us from widespread bankruptcy.

Encourage Business

Moderate taxes encourage business, which adds to the wealth of the nation by production, furnishes employment for labor and business profits to be taxed. High taxes drive out of business men who have accumulated capital, make them idle non-producers and non-employers of labor, drive their capital into tax free bonds, and discourage fresh capital. Without the hope of substantial gain men will not risk their capital. The present heavy taxation gives no such hope.

Business cannot fully revive until all but those who never work are working hard and full time. We must have the greatest possible production and the greatest possible merchandising turnover. These cannot be had without reasonable prices. Reasonable prices cannot be had without greatly reduced taxation. The margin between reasonable prices and taxation must be sufficient to induce everyone to work.

Tax on Goods

Whatever scientific theorists may call it, a tax on goods is practically nothing but an added cost. If goods are badly needed the buyer must pay the full price. When the buyer is unwilling or unable to pay the full price, including such tax, then, as a temporary expedient, while profits are large, in the hope of future business and future profits, the seller may absorb all or part of that tax. When business slackens, when the hope of future profitable business fails, when the margin of profit shrinks, when the buyer cannot afford to pay the price of the goods with the tax added, and when the seller cannot afford to absorb the tax, business must stop. Taxation that does not equalize its burdens and spread them proportionately over all lines of business and all classes will "kill the goose that lays the golden egg." If a merchant or manufacturer be loaded with specific taxes on his goods, plus ordinary taxes on his profits, plus excess

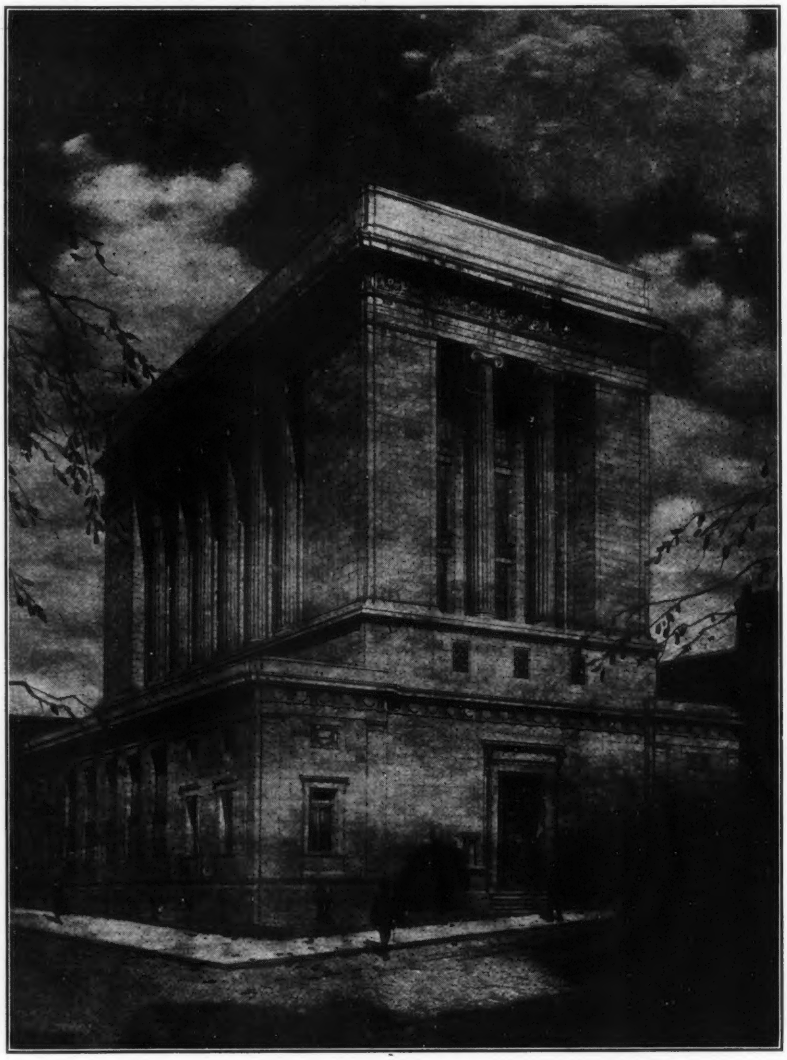
profits taxes every time he happens to have a good year to make up for years of lean profits and of positive losses (without being permitted by some reasonable system of averages to offset the losses in poor years against extraordinary profits in good years), why should he do business? If business enterprises are killed they can neither pay adequate taxes to the government nor good wages to their employees. Unfortunately, the culmination of such conditions usually arises in times of depression, makes the depression worse and postpones business revival. If we must have such a tax it should be in the form of a tax on sales, at a flat uniform rate. Then the tax would be fairly and equitably distributed, and would not favor any one industry at the expense of others. Another advantage of a sales tax is that the farmer, laborer, mechanic or business man who is frugal and accumulates the capital which builds factories and furnishes employment for labor would be encouraged in his frugality. He would not be obliged to pay that tax upon what he saves. The extravagant man, the luxury lover, the spendthrift, would pay. Without systematic economy and frugality this nation cannot have sound permanent prosperity. Our recent riot of prosperity did not last. Had we saved then we would be richer now. Shall our present bitter experience, and its plain lesson, be ignored by Congress?

We must not misunderstand the statements of high financial authorities when they say that the worst is over. That does not mean that the worst of the depression is over, but that the worst of the money strain is over. As a matter of fact if business had continued good the money strain would have been as bad as ever. The strain is relaxed because business is bad. Easy money at this time is not a good sign. It is a bad sign. Business men understand this thoroughly —they are not misled. A danger lies in the fact that many Congressmen are not business men, and that in Washington they are not in a business atmosphere but in a political atmosphere. Some may be honestly misled, others deliberately may take advantage of public statements that the worst is over as an excuse why Congress should do nothing. That will not satisfy our citizens. Congress cannot "pass the buck" and escape responsibility. President Harding has spoken. Secretary Mellon has spoken. The entire country is behind them in their stand for retrenchment and reduction of taxation. No excuses will satisfy the nation. Unless Congress acts at once there is grave danger that this winter we shall face the worst conditions that this country has known in this generation. Wages surely will continue to fall, unemployment probably will increase, men, women and children will be cold and hungry.

Nothing but the realization by Congress that the chief cause that is prolonging the present depression is its own inaction regarding taxation and reduction of government expenditures, that no other legislation even approaches in importance such legislation, or will save this country from a real calamity this winter, and that soon it may be too late, such realization to be followed by prompt action, will save the situation.

To labor I say, listen to the truth whether you like it or not. Do not let your leaders mislead you by promising you more work and better times at any time this year. Unless Congress realizes the damage due to its delay of tax legislation, and its blindness to the fact that our citizens realize that its delay is prolonging the present depression, times may be much worse before they are better. Do not let your leaders persuade you to strike when you cannot win. There are too many men looking for your jobs. Use your common sense. Do your own thinking. Next winter will be a hard winter for you. Before it comes work every day you can, and save every cent you can. The leader who persuades you to the contrary is no true friend of labor.

Congress has passed one piece of legislation which has long been needed, and which will be of untold benefit, the Budget Bill. For that it is entitled to the thanks of our citizens, but that is not enough. While Congress is delaying, business is perishing.



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OPINIONS OF THE GENERAL COUNSEL

THOMAS B. PATON
General Counsel

Pledge of Misappropriated Coupon Bonds

Where A misappropriates certain negotiable coupon bonds and pledges same to B as security for a loan for which he gives B a non-negotiable note, B or B's indorsee for value has full enforceable rights in the security to the extent of the loan and the fact that the note evidencing the loan is not negotiable does not affect recourse upon the security or place B or his transferee in worse position than if such note were negotiable.

From Missouri—A borrows $50,000 from B on a promissory note due 30 days from date or on a given date and pledges as security coupon Liberty Loan bonds, the market value of which equals the face of the note, *and in addition agrees to furnish additional security if in the opinion of the payee security pledged should depreciate in value.* Granting that the additional promise renders the note non-negotiable, what is the position of B in the event of A's failure, A having borrowed the security pledged from some customer without consent. Can owner of bonds recover or compel return of security by B? Strike out the additional promise in the note, would your answer then be any different? Or in other words, does the maker of a non-negotiable note pass a better title than that which he possesses not only with reference to the original payee but when held under rediscount in due course.

In the case stated, B loans money to A, evidenced by a promissory note assumed to be non-negotiable and A pledges as security Liberty coupon bonds in his possession which belong to a third person, without the latter's consent, such bonds being negotiable and transferable by delivery. The point of the question is whether B or an indorsee for value of B is protected in his right to the collateral as against the owner of the bonds, where A's note to B is non-negotiable, or whether a negotiable note would afford better protection.

Where a non-negotiable note is made by A to B and indorsed by B to C, the latter takes no greater rights than B against the maker and it would be subject to the maker's defense of fraud or failure of consideration in his hands.

But in the present case A has no defense to the note against B or B's indorsee. A has received full value for the note and has pledged, without authority, certain negotiable coupon bonds which he had misappropriated. In such case B or B's transferee has full right to resort to the negotiable security to the extent of the loan, free from claim of the owner. A has pledged negotiable collateral as security for a loan and whether he gives a negotiable or a non-negotiable note as evidence of the debt or gives no note at all, the pledgee B is a holder in due course of such negotiable collateral to the extent of the amount of his loan.

The rule that the payee of a non-negotiable note cannot give an indorsee a better right against the maker than he himself possesses does not apply to deprive the payee of a non-negotiable note, who has full enforceable rights against the maker, from resorting to negotiable collateral which the maker has stolen or misappropriated from the owner and pledged to such payee as security for the loan evidenced by the non-negotiable note.

Check "In Full" Indorsed "Under Protest"

Where a check, given for a disputed claim contains on its face the words "in full settlement" and the payee indorses the check "under protest" to a bank which receives payment, such payee will be held to have received the check in full satisfaction and debarred from recovering anything further and there is no liability of the indorsee bank to the drawer for the money collected on a check so indorsed.

From Idaho—Several days ago a party brought a check into this bank in the sum of $200, which he received from a transfer and taxi company, and these people had moved his household goods from the house to the depot and had damaged his goods considerably in excess of $200. They sent him this check in settlement of this, writing on the face of the check, in the lower left hand corner, "In full for settlement of damages." Our indorser, who is also a depositor, did not wish to accept this as in full settlement, but wished to get action on the $200, and informed us that he would indorse this check under protest, and did so with the words, "Indorsed under protest" and then signed his name. The taxi people have now employed an attorney, who advises us that if the taxi company is called upon to pay further in this matter, they will look to us to make good their loss for having cashed this check. Our depositor, of course, still has this on his account.

What is our liability in this case?

The check in question, deposited in your bank by the payee, was given in full settlement of a disputed claim and bore on its face the words: "In full for settlement of damages." The courts have held that where the payee accepts and collects such a check, his claim is extinguished and he cannot recover anything further. Fuller *v.* Kemp, 138 N.Y. 231.

Notwithstanding the creditor refuses to accept the condition that the check is in full, nevertheless he is bound where he accepts the check. Thus in Gribble *v.* Raymond etc. Co., 109 N.Y. Supp. 242 a check was given "in full for commissions to January 1, 1905." There was a dispute as to the amount of commissions due. The payee struck out the words quoted, collected the money and then brought action to recover a balance which he claimed to be due. It was held the debt was completely paid and the plaintiff could not recover.

In the light of the above, the fact that the payee, in the case submitted by you, indorsed the check "under protest" would not save his rights. He accepted the check for $200 in full settlement and will not be able to collect anything further from the drawer of the check. Even were this otherwise, there would be

no liability of your bank to the drawer because of your indorsement and collection of the check. The indorsement of this check by the payee transferred title to your bank, even though it was coupled with a protest as to sufficiency of the amount.

Power of Bank to Organize Safe Deposit Company

Provision of the New York statute quoted with reference to the advisability of a bank incorporating a safe deposit company to escape the uncertain liability connected with its rental of safe deposit boxes.

From New York—Kindly advise what liability we assume in renting small safety deposit boxes at $3 per and if it is advisable to incorporate a safety deposit company for this purpose. If so can we hold all of the stock of the S. D. Co., and carry it as an asset?

A bank is not an insurer of the contents of a safe deposit box leased to its customer, but is a bailee for hire and is under obligation, as such, to use reasonable care in safeguarding the box and its contents from burglars without and thieves within. Just what constitutes reasonable care is a question for the jury under the facts of each particular case. The general rule is that reasonable care calls for the same degree of care that a prudent person would take of his own property under like circumstances.

In view of the uncertainty of the law upon the question of liability, I think it might be advisable to incorporate a safe deposit company for the purpose of renting safe deposit boxes. Section 106, New York Banking Law, empowers banks

"To purchase and hold the stock of any safe deposit company organized and existing under the laws of the state of New York and doing business on premises owned or leased by the bank; provided that the purchasing and holding of such stock is first duly authorized by resolution of the board of directors of the bank and by the written approval of the superintendent of banks stating the number and amount of the shares which the bank may purchase and hold."

Section 315 provides for incorporation of safe deposit companies which must have a capital of not less than $100,000 and not more than $1,000,000 where the population is 100,000 or more; but only a capital of not less than $10,000 and not more than $1,000,000 elsewhere in the state. In your city the minimum capital required would be $10,000.

Section 322 of the Banking Law provides a double liability of stockholders of safe deposit companies.

If you decide to incorporate, the procedure would be to obtain the approval of the Superintendent of Banks. There seems to be nothing in the law which would prevent a bank virtually owning the safe deposit company if the superintendent should approve. The safe deposit law however requires that five or more persons must incorporate; the number of directors must be not less than five nor more than thirteen; each director must be a citizen of the United States, at least a majority must be residents of the state and every director must be a stockholder in his own right. Under these provisions, the bank, as such, could not own the entire stock but it could own a large majority of the stock. There is no requirement that a director must own a particular number of shares; the provision simply is that "every director of a safe deposit company shall be a stockholder of the corporation in his own right."

Check Revoked by Death of Drawer

A bank in Pennsylvania received on deposit certain checks drawn upon a bank in West Virginia, payment of which was refused because of death of the drawer. The bank having given value for the checks asks as to its recourse. Opinion: While there is a statute in West Virginia, authorizing payment of an order by a savings bank after the drawer's death, this statute does not apply to commercial banks and payment of the checks in this case was rightfully refused because of the drawer's death. The holder of the checks has no recourse thereon against the drawee but must look to the drawer's estate for payment.

From Pennsylvania—One of our depositors, who also had an account in a bank in the state of West Virginia, deposited to his credit with us several checks made by him and drawn on the bank in West Virginia. Before the checks were paid by the bank in the state of West Virginia on which said checks were drawn, the depositor was either accidentally shot or committed suicide, and the checks were protested on account of his decease and returned. We understand the money was on deposit with the bank at the time the checks were presented for payment and there is still sufficient on deposit with the bank in West Virginia to pay the checks.

While these checks were in course of collection, we paid checks drawn on his account with us which absorbed his balance and upon return of the checks from West Virginia there was not sufficient balance in his account with us to absorb the amount of the checks.

Under the laws of the state of West Virginia, did the bank act legally in protesting and returning the checks or would they have authority to pay the checks after death and, if there is still sufficient money in the account with them to pay the checks, would we have a legal right to present the checks at this time and demand payment?

As we do not find any law to guide us on this subject, this is our reason for asking for your opinion.

The rule of the common law is that the death of a depositor revokes the authority of the bank to pay his check. In a few states, this rule has been modified by statute to permit of the payment of checks within a limited period after the death of the drawer. The only statute in West Virginia is one which applies solely to savings banks.

"Every such savings bank is authorized and empowered to pay any order drawn upon it by any person who has funds on deposit to meet the same, notwithstanding the death of such drawer in the interval of time between signing such order and its presentation for payment, when said presentation shall be made within thirty days after the date of such order; and at any subsequent period, provided, the depository has not received actual notice of the death of the drawer." (Acts 1887, c. 18.)

Assuming the checks in the present case were drawn on a commercial bank and that the above statute did not apply, the drawee was right in refusing payment after the death of the drawer. Although there is still sufficient money in the account to pay the checks, your bank has no legal right to enforce payment from the drawee bank as such drawee, before acceptance is not liable to the holder of a check payment of which it has refused and this is so whether or not refusal is because of death of the drawer or for some other reason.

Your sole recourse on these checks is against the drawer's estate and the bank in West Virginia is accountable for the deposit to the executor or administrator of the estate.

Check of Bankrupt for Wages

A manufacturing concern pays its employees by checks which are purchased by a savings bank. The question is raised whether, in the event of the bankruptcy of the manufacturing concern before payment of the checks, the purchasing bank would have a priority. Opinion: It has been held that one who cashes checks given by a bankrupt to his workmen for wages, is entitled to a preference as an assignee of the claim for wages.

From Massachusetts—A number of manufacturing concerns in this vicinity pay their help with checks. As there is no commercial bank in this town we are called upon to cash a great many of these checks which are drawn upon banks in neighboring cities. We are glad to accommodate in this way in order to get the people in the habit of coming to the bank and think it is good advertising but of course we do not feel that we should take any undue risk in doing so. The question has been raised as to what kind of a claim we would have if the concern drawing the checks should go into bankruptcy before we were able to collect the checks which we had cashed. We understand that a claim for labor is a preferred claim. Would our claim for these checks which we had cashed be preferred?

The fourth class of claims entitled to priority in payment under the Bankruptcy Act (Bankruptcy Act, Sec. 64, subd. b. cl. (4)) consists of wages due to workmen, clerks, city or traveling salesmen, or servants. (*In re* Nat. Marble etc. Co., 206 Fed. 185; *In re* Dexter, 158 Fed. 788; *In re* Baumblatt, 156 Fed. 422; *In re* Flick, 105 Fed. 503; Com. *v.* Butler, 99 Pa. St. 535; *In re* Caldwell, 164 Fed. 515), which have been earned within three months before the date of the commencement of the proceedings, (*In re* Dunn, 181 Fed. 701; *In re* Erie Lumber Co., 150 Fed. 817), not to exceed $300 to each claimant. (*In re* Crawford Wollen Co., 218 Fed. 951.)

An assignee of claims for wages is entitled to the same priority that such claims would be entitled to in the hands of the original holders, whether the assignment was before or after the commencement of the bankruptcy proceedings (Shropshire *v.* Bush, 204 U. S. 186; *In re* Dutcher, 213 Fed. 908; *In re* Campbell, 102 Fed. 686), and it has been held that one who cashes checks given by a bankrupt to his workmen for wages is entitled to a preference as an assignee of the claims for wages; the checks unpaid not discharging the debts for which they were given. (*In re* Stultz Bros., 226 Fed. 989.)

Government Bonds Not Exempt from Inheritance Taxes

According to decisions of the U. S. Supreme Court, government bonds, although expressly exempted by contract from payment of all taxes in any form, must be included in the gross estate and cannot be deducted in determining the amount subject to tax under the Federal estates tax or state inheritance tax laws.

From Kentucky—This corporation is executor for an estate, the gross amount of which is $102,000. Included in the estate is $35,000 U. S. 4 per cent. bonds of 1895, due February 1, 1925. On the face of the above mentioned bonds appears this sentence: "The principal and interest are exempt from the payment of *all* taxes or duties of the United States, as well as from taxation *in any form* by or under state, municipal or local authority." Will you advise if the above bonds should be included in gross estate for the purpose of determining the amount subject to Federal estates tax and state inheritance tax due the state of Kentucky.

The proposition has been decided by the United States Supreme Court adversely to the right of deduction of government bonds from the gross estate subject to Federal estates tax and state inheritance tax laws. Plummer *v.* Coler, 178 U. S. 134; Murdock *v.* Ward, 178 U. S. 147; Sherman *v.* United States, 178 U. S. 151. In Plummer *v.* Coler, dealing with the inheritance tax laws of a state the Supreme Court said:

"We think the conclusion, fairly to be drawn from the state and Federal cases, is, that the right to take property by will or descent is derived from and regulated by municipal law; that, in assessing a tax upon such right or privilege, the state may lawfully measure or fix the amount of the tax by referring to the value of the property passing; and that the incidental fact that such property is composed wholly or in part of Federal securities does not invalidate the tax or the law under which it is imposed."

In Murdock *v.* Ward, involving the Federal Inheritance Tax Act of 1898, the Supreme Court said:

"If a state inheritance law can validly impose a tax measured by the amount or value of the legacy, even if that amount includes United States bonds, the reasoning that justifies such a conclusion must, when applied to the case of a Federal inheritance law taxing the very same legacy, bring us to the same conclusion. We must, therefore, hold that if, as held in Knowlton *v.* Moore, the tax imposed under the Act of June 13, 1898, is not invalid as a direct, unapportioned tax, nor for want of uniformity, nor as an infringement upon the laws of the states regulating wills and descents, then the tax upon legacies or bequests, descendible under and regulated by state laws, is valid even if such legacies incidentally are composed of Federal bonds."

In Sherman *v.* United States, the Supreme Court said:

"The proposition that bonds of the United States and the income therefrom are not lawfully taxable under an inheritance tax law of the United States, because exempted by contract from such tax has just been decided not to be well founded."

Reasonable Charge for Collection of B/L Draft

A draft is drawn with bill of lading attached and contract specifying the goods are to be paid for f. o. b. at point of shipment. The draft is forwarded through a bank to another bank at the place of the drawee which collects the face and deducts therefrom a reasonable exchange charge, remitting for the balance. The forwarding bank contends the collecting bank should remit full face of the draft to which the drawer is entitled and collect its compensation independently. Opinion: The draft, not being drawn with exchange on the place of the drawer, but being payable at the place of the drawee, the collecting bank was only authorized to collect the face amount and had a right to deduct a reasonable exchange charge from the proceeds before remitting.

From Alabama—This bank (in Alabama) forwarded draft to a bank in Florida for $3,520, drawn by the G Company upon the T Company with attached bill of lading. The Florida bank collected the amount and remitted its New York draft for $3,516.50. This bank requested the Florida bank to remit $3.50, the amount of exchange deducted from the face of the draft on the ground that the collecting bank had no right to make such deduction. Our contention is that the collecting bank should not force the drawer of a draft with bill of lading attached to take less than the contract

price of the commodity shown on b/l attached and contract specifying that the goods are to be paid for f. o. b. point of shipment. The Florida bank contends that if the draft had been drawn with exchange on the place of the drawer it would have collected the exchange charge from the drawee, but not being so drawn it had the right to deduct the $3.50 from the proceeds which was its usual charge for handling such a transaction. Your opinion is desired.

It would seem the collecting bank would be entitled to deduct a reasonable amount for services from the proceeds of collection if it thought fit to do so. In Security Savings and Trust Co. *v.* King, 69 Or. 228, 138 Pac. 465, the court said: "As a general rule after the bank effects collection of a check intrusted to it for that purpose, it becomes a simple contract debtor for the amount less any commission which may be charged." See, also, Hilburn *v.* Mercantile Nat. Bank, 39 Colo. 189, 89 Pac. 45. Jockusch *v.* Towsey, 51 Tex. 129; Minn. Mut. Ins. Co. *v.* Lagus State Bank, 34 N. D. 566, 158 N. W. 1063, the court in the latter case holding that a collecting bank is charged with the duty of remitting the amount collected less commission for its services. Section 248, 1 Morse Banks and Banking, 5th ed., is as follows: "After a collection has been made the bank becomes a simple contract debtor for the amount less the commission, if any has been charged."

The point of your inquiry, as I understand, is that while your bank would be responsible to the collecting bank for a reasonable exchange charge, the latter had no right to deduct the amount from the proceeds but should remit the full face of the draft because the drawer is entitled to the full contract price. I do not think such a contention is tenable. Assuming that the documents attached to the draft indicate that the drawee is liable to the drawer for the full amount at the place of shipment, still the draft itself is not made payable with exchange on that place, but simply orders the drawee to pay at the place where he is addressed. In such case the bank collecting the draft as agent of the drawer, or as agent of your bank which is agent of the drawer, can only demand the face of the draft from the drawee and is entitled to deduct a reasonable amount from the proceeds and is not compelled to remit at par and collect its commission independently.

Garnishment of Bank Issuing Cashier's Check

Under the statutes of many states, including Wisconsin, a bank which has made and delivered a negotiable bill or note is not subject to liability as garnishee in proceedings by a creditor of the payee, but the bank having been summoned as garnishee, must make answer of non-liability according to the provisions of the state statute.

From Wisconsin—Will you kindly advise us whether or not a cashier's check (reading "Pay to the order of") issued by a Wisconsin bank, is subject to garnishment, and would we be obliged to answer such a proceeding.

In many jurisdictions it is provided by statute that no person shall be adjudged garnishee or trustee by reason of his having made, given, indorsed, negotiated or accepted any negotiable security whatever, and under such statutes the maker of a negotiable note or the drawer of a negotiable bill of exchange or check cannot be made the garnishee or trustee of the holder thereof. (Wohl *v.* First Nat. Bank, 154 Ala. 332; Gregory *v.* Higgins, 10 Cal. 339; Auten *v.* Crahan, 81 Ill. App. 502; Diefendorf *v.* Oliver, 8 Kan. 365; Woodman *v.* Carter, 90 Me. 302; Com. *v.* Abbott, 168 Mass. 471; Littlefield *v.* Hodge, 6 Mich. 326; Fisher *v.* O'Hanlon, 93 Nebr. 529; First State Bank *v.* Lattimer (Okla. 1915) 149 Pac. 1099; Stone *v.* Dean, 5 N. H. 502; Howe *v.* Hartness, 11 Ohio St. 449; Bassett *v.* Garthwaite, 22 Tex. 230; Oakdale Mfg. Co. *v.* Clarke, 29 R. I. 192; Timm *v.* Stegman, 6 Wash. 13.)

And such is the rule in Wisconsin, where the statute provides that no judgment shall be rendered upon the liability of the garnishee arising "by reason of his having drawn, accepted, made, indorsed or guaranteed any negotiable bill, draft, note or other security." (Wis. Stat. 1913, Ch. 125 Sec. 2769; Disconto Gesellschaft *v.* Umbreit, 127 Wis. 651; Davis *v.* Pawlette, 3 Wis. 300; Carson *v.* Allen, 2 Pin. (Wis.) 457.)

You ask whether the bank would be obliged to answer such a proceeding. An answer or affidavit of non-liability would have to be filed according to the provisions of the Wisconsin statute, otherwise your bank having been summoned as garnishee would suffer judgment being rendered against it.

Bond of Indemnity for Lost Cashier's Check

A bank mailed two cashier's checks to another bank to which they were made payable. The payee bank claimed that the checks never reached it and requested stop payment and the issue of a duplicate. The issuing bank asks as to the necessity of a bond of indemnity which the payee bank refuses to give. Opinion: The object of requiring indemnity is to guard against the risk that the original has been or will be indorsed and negotiated by the payee notwithstanding his claim of loss; but where the payee is a responsible bank there is no need of exacting indemnity as a prerequisite to issuing duplicate because there is no one else to indorse and negotiate the instrument.

From Idaho—A certain bank in Illinois sent us two checks for collection aggregating $200. In payment thereof we remitted to them our cashier's check for the above amount; the letter containing it, however, never reaching them according to their statement. They corresponded with us, asking that we stop payment on the original and send them a duplicate for the above mentioned amount. However, it has been our policy that before issuing a duplicate cashier's check that a properly sworn indemnity bond for twice the amount concerned must be filed with us. We filled out, therefore, an indemnity bond for $400, forwarding same to the Illinois bank for their signature. However, they absolutely refuse to sign this indemnity bond, claiming that our stand in asking them to indemnify us against our own check is wrongfully taken. Will you therefore, by return mail if possible, render us a legal opinion in the matter, that we may follow in the future.

The object of requiring indemnity before issuing a duplicate for a lost cashier's check is to cover the risk that the original has been or will be indorsed and negotiated by the payee, notwithstanding his claim of loss, and that the bank

will be held liable thereon to an innocent purchaser.

In this case the payee is a bank and there would be no necessity in requiring indemnity if the issuing bank was willing to trust the financial responsibility of the payee; otherwise there would be the same need for indemnity as in the case of an individual payee.

Married Woman as Accommodation Maker in Arkansas

Under the statute in Arkansas a married woman may bind herself as accommodation maker or indorser on a note of another.

From Arkansas—Referring to page 683 of the April, 1921, JOURNAL, we notice that an accommodation note by mother for son will not hold the mother under the law of Texas if she is a married woman unless her husband indorses with her. We have a note offered us for discount which is similar to the Texas case, the mother being surety for son. Please advise whether or not her signing as surety for the son would hold her legally in Arkansas. About five or six years ago I remember reading in the *Arkansas Gazette* a decision of our Supreme Court where a wife was held liable on her husband's note as surety or as indorser. This was, I believe, a case where a druggist gave a wholesaler his note with wife as indorser or surety for him and the court held that the holder of the note could collect from her. Not long before this decision our legislature passed some law giving more rights, etc., to women, from which I understand the court made its decision that the wife's indorsement was binding on her as to her separate estate. Prior to this act of our legislature, as I remember it, our law was similar to Texas—that is, wife's indorsing note for husband was not binding on her as to her own property.

The Arkansas statute provides: "Every married woman and every woman who may in the future become married shall have all the rights to contract and be contracted with, to sue and be sued, and in law and equity shall enjoy all rights and be subject to all the laws of this state, as though she were a *feme sole*." (Kirby & Castle's Dig. Ark. Stat., 1916, Chap. 119, Sec. 6120.)

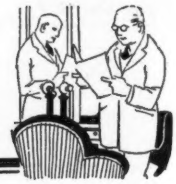
Under this statute a married woman in Arkansas has the power to make contracts in her own name and to bind herself as surety or accommodation indorser upon a note in the same manner as if she were unmarried.

Mortuary Record of Association Members

REPORTED FROM JULY 26, 1921, TO AUGUST 25, 1921

Adler, Samuel M., president Union Trust Company, South Bend, Ind.
Baer, Ben, president American National Bank, St. Paul, Minn.
Bell, Edward T., president First National Bank, Paterson, N. J.
Biddison, John S., president Overlea Bank, Overlea, Md.
Blunk, H. F., president the Western Bank, Weston, Neb.
Bourne, E. W., assistant treasurer Union Trust Company, Cleveland, Ohio.
Burgy, John H., vice-president Conroy Savings Bank, Conroy, Iowa.
Clear, J. D., assistant treasurer Ohio Savings and Trust Company, Akron, Ohio.
Connelly, Jerome W., president Bridgeport National Bank, Bridgeport, Pa.
Cook, Robert N., vice-president and director Liberty Insurance Bank, Louisville, Ky.
Corby, Augustus C., vice-president Metropolitan Bank, New York, N. Y.
Cummings, John, chairman of board, Ohio Savings Bank and Trust Company, Toledo, Ohio.
Galligan, Wm. T., branch manager Union Trust Company, Providence, R. I.
Geiselman, M. P., vice-president Houston National Bank, Houston, Texas.
Gray, Frank V., vice-president and director State National Bank, Frankfort, Ky.
Griffith, Joel, cashier First National Bank, Cumberland, Md.
Harrington, Wellington, vice-president Burt County State Bank, Tekamah, Neb.
Hay, Edward, general manager Imperial National Bank, Toronto, Canada.
Jackson, James Kirkman, vice-president American Trust and Savings Bank, Birmingham, Ala.
James, Harvey Strobridge, president First National Bank, Hayward, Calif.
Lathrop, Arthur D., assistant cashier Jackson City Bank, Jackson, Mich.
Marsh, Mary Elizabeth, cashier Melbourne State Bank, Melbourne, Fla.
Matoon, L. H., president State Bank of Kechi, Kechi, Kan.
Mitchell, Col. Alexander, organizer Mutual Savings Bank, Wheeling, W. Va.
Nelson, Charles Q., vice-president Bank of Woodland National Association, Woodland, Calif.
Nelson, Roy H. B., vice-president Northwestern National Bank, Portland, Ore.
Noll, Charles H., president Noll's Bank, Waterford, Wis.
Nott, Charles Emerson, secretary New England Trust Company, Boston, Mass.
Packard, John Bond, president Conway National Bank, Conway, Mass.
Paul, N. J., president St. Paul State Bank, St. Paul, Neb.
Peacock, Wm., manager Collection Department, Fort Worth National Bank, Fort Worth, Texas.
Phelps, George H., president Kingsley Bank, Kingsley, Iowa.
Prouty, Charles A., president Orleans Trust Company, Newport, Vt.
Reis, Henry, president Old State National Bank, Evansville, Ind.
Roome, E., president Peoples National Bank, Sisterville, W. Va.
Salter, Thaddeus M., vice-president Central State National Bank, Memphis, Tenn.
Stanton, Clarence E., cashier Oxford Savings Bank, Oxford, Mich.
Thompson, H. S., cashier Bank of Earlham, Earlham, Iowa.
Tuttle, Albert, president Montpelier National Bank, Montpelier, Vt.
Viles, R. B., president First National Bank, Bolivar, Mo.
Warner, A. D., president First Trust and Savings Bank, Mishawaka, Ind.
Wellensiek, Henry F., vice-president Bank of Syracuse, Syracuse, Neb.
Whitt, H. S., president Caddo National Bank, Caddo, Okla.
Wright, George N., president Bank of Sharon, Sharon, Ga.

RECENT DECISIONS



THOMAS B. PATON, Jr.
Assistant General Counsel

Bankers' Associations—Members Are Liable for Libel by Authorized Agent—Answerable for Libel Contained in "Proceedings"

At a convention of the Arizona Bankers Association a letter to the secretary was read in which one Pandolfo was described as a "double-barreled crook." This was followed by other matter of a similar nature. This letter was printed as part of the "Proceedings of the Arizona Bankers Association." Because of this alleged libel Pandolfo sued the secretary and the several banks which were members of the association. The defendants demurred to the complaint on the ground that it did not show that the alleged tortious acts were within the scope of the purpose for which the organization was formed. "It is argued that the title of the book published by the association shows that it merely sets out an account of the proceedings of the association and that the publication of such an account is not a matter within the purpose of the organization upon which all the members can fairly be said to be responsible."

The court found that the complaint did allege that the publishing of this book was within the purpose of the organization, and in any event "it would be reasonable to hold that the publication of such a volume, issued as it was annually, giving an account of the proceedings of the association, was distinctly within the scope of the purpose of such an association."

The members of an unincorporated association are liable for damages for libel published by their agent with their authority, while the agent is acting within the scope of his employment. Pandolfo *v.* Bank of Benson, 273 Fed. (Cir. Ct. App.) 48.

Interest and Usury—Note Payable "One Day After Date . . . Without Interest"—Missouri

A note payable "One day after date . . . without interest" was sued on.

"It is the general rule that a promissory note, made payable without interest, bears interest at the legal rate after maturity. When, however, the note is to mature one day after date, as in this case, it has been held unreasonable to suppose that the parties intended to suspend interest for one day only. . . . But in any event the holder of such a note is entitled to interest after demand of payment is made." Watts *v.* Mayes, 232 S. W. (Mo.) 122.

Gift of Checking Account by Delivering Bank Book—Arkansas

The delivery of a bank book does not constitute a valid gift *causa mortis* of a checking account, since it does not give dominion or control of the money. "The book was only evidence of the state of the account between the bank and the depositor. Gordon *v.* Clark, 232 S. W. (Ark.) 19.

Check Given for Gaming Debt is Void in New York, Even in Hands of Holder in Due Course—New York

Under the Penal Law of New York, Sections 991-993, a check given to pay a gambling debt is absolutely void and the maker is not liable, even to a holder in due course. The basis for the decision is an analogous holding of the court of appeals in Sabine *v.* Paine, 223 N. Y. 401, 119 N. E. 849, that the statute declaring usurious agreements void is not repealed by the subsequent enactment of the Negotiable Instruments Law, and that a usurious note is void in the hands of a holder in due course. Larschen *v.* Lantzes, 189 N. Y. Supp. (App. Term) 137.

No Right to Attach Funds Not Belonging to Depositor for His Debt—California

Nathan, the California department commander of the United Spanish War Veterans, appointed Simmons as chairman of a committee to arrange transportation for the California delegates to a national convention at Baltimore, Md. Simmons collected the cost of transportation and purchased the necessary tickets, giving therefor his personal checks on his bank account, in which he had deposited the funds collected. Before the checks were presented for payment O'Donnell attached the account for Simmon's debt to him and the bank refused to pay the checks on presentation. This caused the railroad to threaten to cancel the tickets. Whereupon Nathan, in order to avoid further complications, made a special deposit in the bank on which the checks were drawn for the purpose of paying them, and the checks were again presented and paid. Nathan took an assignment from Simmons and the other persons interested in the transportation money and sued the bank, which deposited the amount in question in a savings bank by permission of the court and was discharged. The sheriff was substituted as defendant. The court held that Nathan was not a mere intermeddler, but acted under a supposed moral obligation. He consequently took an equitable assignment of the fund in question. In any event, the fund was not subject to attachment by a creditor of Simmons, who had no title to it. "His position was little different, if any, from that of a mere messenger intrusted

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AT a convention of the Arizona Bankers Association a letter to the secretary was read in which one Pandolfo was described as a "double-barreled crook." The letter was published in a book entitled "Proceedings" and the court held that the members could be liable in damages for libel.

IN a note payable "one day after date . . . without interest," the holder is entitled to interest after demand of payment.

THE delivery of a bank book does not constitute a valid gift *causa mortis* of a checking account.

A BANK holding a deposit of an alien enemy must surrender the same upon the demand of the Alien Property Custodian and cannot interplead.

A CREDITOR has no right to attach funds not belonging to a depositor for his personal debt. In this case the attached funds represented the cost of transportation received from California delegates about to attend a Baltimore convention. The railroad threatened to cancel the tickets.

A CASHIER is liable to his bank for permitting an overdraft and in failing to protest an indorsed note. Dennis *v.* First State Bk., 231 S. W. (Ky.) 538.

ALTHOUGH the plaintiff understood that her Liberty bond was to be placed in her father's safe deposit box, she relied on the promise of the bank president to take care of her bond for her and his assurance that it would be safely kept. Under these facts the bank became clearly a bailee for hire and responsible for adequate care.

A MOST novel situation arose in a recent Texas case wherein a person who drew a check without funds was convicted of a crime, even though on the following morning he paid the creditor the full amount. The decision, however, was later reversed.

with funds to make a particular purchase." Nathan *v.* O'Donnell, 198 Pac. (Cal. App.) 1028.

Payee of Check Held Not Estopped From Suing Bank for Wrongful Payment—Illinois

A check was made payable "to the order of Olga A. Crahe, judgment creditor, and order of J. Marion Miller, attorney for judgment creditor." The attorney, without authority, indorsed the judgment creditor's name and cashed the check at the Fort Dearborn National Bank, which in turn collected from the drawee bank. The judgment creditor, contending that her name was a forgery, sued the drawee bank in tort for wrongful payment of the check. The principal question presented was whether an attorney employed to prosecute a suit to judgment has authority to indorse a check payable to the order of his client, received in satisfaction of the judgment. "The precise question here presented is a new question in this court and seems to be one that has had little attention in the courts of other jurisdictions." The court held that, under the Negotiable Instruments Law, Section 41, the attorney has no authority to indorse, in addition to his own name, his client's name on the check and to cash it, even if the contract of employment gave him authority to retain his commission or fees. In this case it is to be noted that the action against the drawee is brought by a person who is not a depositor. Ordinarily an action for wrongful payment of an uncertified check cannot be brought by a checkholder who is not a depositor because no contractual relation exists between the holder and the bank. In this case, however, it seems, the court proceeds on the theory that the judgment creditor, being part owner of the check, can hold the drawee bank directly responsible for wrongful conversion of her check. Crahe *v.* Mercantile Trust and Savings Bank, 129 N. E. 120.

Bank Has No Right to Interplead Alien Property Custodian

The American Exchange National Bank had a deposit in the name of Simon which the Alien Property Custodian demanded as the property of Albert, an alien enemy not holding a license from the President. As Simon claimed this deposit as his own the bank filed a bill of interpleader. The court held that there was no right to interplead, and that the bank would be perfectly safe in complying with the demand of the Alien Property Custodian to make payment to him because Section 7 (e) of the Trading with the Enemy Act provides that "no person shall be held liable in any court for or in respect to anything done or omitted in pursuance of any order, rule or regulation made by the President under the authority of this act. Any payment . . . or delivery of money or property made to the Alien Property Custodian hereunder shall be a full acquittance and discharge for all purposes of the obligation of the person making the same to the extent of same." Am. Exch. Nat. Bank *v.* Garvan, 273 Fed. (Cir. Ct. App.) 43.

Stolen Liberty Bonds; Liability of Bank Bailee for Safe-keeping —Tennessee

A bank vault was blown open by burglars and a Liberty bond left with the bank for safe-keeping was stolen, with other valuable papers. Thompson's Shannon's Code, Section 2101, provides for the renting by banks of safe deposit boxes. Section 2102 provides that "in no event shall the corporation be liable for any loss of said jewelry, diamonds, gold, bank notes, bonds, notes or other valuables thus lost by theft, robbery, fire or other cause, the said corporation not being the insurer of the safety of said property, nor in any manner liable therefor. The corporation is not required to take any note or property thus deposited, as the person who rents a safe, box or receptacle is, for the term of his lease, the owner thereof."

The court said that "Such sections cover a case where a particular box or space in its vaults is rented or leased by the bank. . . . We have no such a case before us. Plaintiff's father had a tin box which the bank had presented to him. He kept his valuable papers in this box. The bank undertook to care for the box without charge. Mr. Pennington [the father] had rented no space or receptacle in the bank's vault and the bank was free to keep his box where it thought proper." Plaintiff's bond was placed in this box.

This bailment was undertaken under Code, Section 2099, authorizing banks to take special deposits for safe-keeping.

Although plaintiff "understood that the bond was to be placed in her father's box, she relied on the promise of the bank president to take care of her bond for her and his assurance that it would be safely kept. . . . Under these facts . . . the bank clearly became a bailee of the bond itself and not a mere bailee of the father's box.

Conceding that the bailment was for the sole benefit of the plaintiff, a "mandatory is bound to use a degree of diligence and attention adequate to the performance of his undertaking. The degree of care required is essentially dependent upon the circumstances of each case. It is materially affected by the nature and value of the goods and their liability to loss or injury."

"Plaintiff's bond was a coupon bond negotiable by delivery." She testified that the president of the bank stated that there was no necessity for registering the bond. The vault in which the box, with others, was placed "was an old one, built of brick, without steel linings. It had an iron or steel door. In the vault there were a nest of safety deposit boxes and two safes. Neither the safety deposit boxes nor the safes were disturbed by the burglars. One of the safes was burglar proof. In this safe the bank kept its money and its own bonds and bonds belonging to relatives of some of its officers. There was not room in this safe to put tin boxes, but plenty of room to place plaintiff's bond and the bonds belonging to the bank's other patrons." Adequate care on the part of the bank was a question for the jury. "Usage and custom in a particular business reflect on the care exacted of a bailee." But it was not competent to prove what one or two other banks did towards safeguarding their valuables. The court held that the bank became a bailee of the bond itself and not of the father's box, and the bank was liable, if at all, for its loss by robbery, under Thomp. Shan. Code, Section 2099 and not under sections 2100 and 2102. Pennington *v.* Farmers and Merchants Bank, 231 S. W. (Tenn.) 545.

Check Without Funds as Violation of Statute Prohibiting Issue of Check to Circulate as Money —Texas

A check in payment of an account was dishonored because of insufficient funds. On finding this out the drawer, instead of making a deposit as he intended, paid the money directly to the payee. This was the state of facts supporting an indictment under Section 514 (368) of the Texas Penal Code, prohibiting the issuance of "any bill, promissory note, check or other paper . . . to circulate as money." The drawer of the check was convicted and fined $10.

The court said that there was no testimony indicating that the check was issued for "any other purpose than checks are ordinarily issued, to wit, to pay a debt," and ordered the dismissal of the prosecution. Jackson *v.* State, 231 S. W. (Tex. Crim. App.) 1095.

A CHECK given for a gambling debt is void in New York even in the hands of a holder in due course.

BECAUSE of the Massachusetts statutes requiring segregation of savings and commercial accounts, the court refused to allow a set-off of a debt of the commercial department of a trust company to a depositor in extinguishment of a debt owed by that depositor to the savings department. (Kelly *v.* Allen, 131 N. E. 855.)

WHERE a check is payable to an attorney and his client jointly, the attorney has no authority to indorse the client's name and to cash the check, unless the power to indorse is *expressly* granted.

A BANK should not within a few days after a husband's death, while the widow is still under the shock of his death, take unfair advantage of her and obtain possession of her life insurance policy. (Marsh *v.* Elba Bank and Trust Co., 88 So. (Ala.) 423.)

AN agent with authority to indorse the name of his principal upon a note has no implied authority to place a like indorsement upon a renewal note. (American Trust and Savings Bk. *v.* De Jaeger, 183 N. W. (Iowa) 369.)

A. B. A. Convention in Detail

(*Continued from page* 114)

Advertising Exhibit

The exhibit of the Financial Advertisers Association, which was shown at the convention of the Associated Advertising Clubs of the World, in Atlanta in June, will be displayed on the mezzanine floor of the Alexandria Hotel throughout the week of the convention.

General Information

OFFICE OF THE ASSOCIATION—The office of the American Bankers Association will be located in Parlor F, second floor, of the Alexandria Hotel. (Telephone, 10533 or Main 1897.)

INFORMATION BOOTHS—For the convenience of members desiring to make inquiries relating to convention matters, as well as local points of interest, etc., information booths will be established in the lobbies of Headquarters hotels—the Alexandria (telephone, 10533 or Main 1897), the Clark (telephone, Broadway 7200), the Rosslyn (telephone, Main 9246) and the Ambassador (telephone, Wilshire 7000).

MAIL AND TELEGRAMS—All mail and telegrams for delegates and guests (which have not been specifically addressed to them at their hotels) will be delivered at the post office, Alexandria Hotel (telephone, 10533 or Main 1897).

RAILROAD TICKETS—The Consolidated Ticket Offices are located at 221 South Broadway (telephone, Main 8500). The Southern Pacific office is located in the First National Bank building (telephone, Pico 2000). Holders of round-trip tickets, where validation is necessary, must attend to the requirements in person. Those attending the convention are requested to read carefully the conditions printed on the ticket which they hold.

LOCAL COMMITTEE HEADQUARTERS—Headquarters of all local committees will be located in Alexandria Hotel (telephone, 10533 or Main 1897). A representative of the Hotel Committee will be at each of the Headquarters hotels—the Alexandria (telephone, 10533 or Main 1897), the Clark (telephone, Broadway 7200), the Rosslyn (telephone, Main 9246) and the Ambassador (telephone, Wilshire 7000).

PRESS HEADQUARTERS (Public Relations Commission)—Alexandria Hotel.

Registration

As soon as delegates can do so conveniently, after arriving in Los Angeles, they should register at the Registration Headquarters, Assembly Room, second floor, Alexandria Hotel. By so doing they will expedite the prompt and complete publication of the daily registration list. Their friends and acquaintances in the banking fraternity who are in the city can be located through reading this alphabetical list of delegates and guests, published complete each day.

Delegates should present their business cards when registering. If possible, it is desired that they also register for others from their institutions, as well as members of their families. The necessary credentials will then be delivered, including the official badge of the Association and the invitations for the social functions.

No one representing a banker or banking institution is entitled to register unless such banker or banking institution is a member of the Association. The official enameled pin should be worn conspicuously during the convention to obtain all of the courtesies extended to delegates and guests.

Article 3, Section 3, of the Constitution provides:

"* * * Each delegate, other than an individual member, shall be an officer, director, trustee, manager or partner of the authorizing member. Substitutes for delegates shall not be permitted and no delegate shall represent more than one member."

Attention of the delegates is directed to the order of the Executive Council, reading as follows:

"* * * Each member of the Association can be represented by one delegate, as per the Constitution, and such delegate is authorized to bring one guest, if a member of his family, or someone connected with his bank; any other guest is required to pay Ten Dollars ($10.00) for the privileges of the Convention, with the following exceptions: Ex-Presidents and A. B. A. Officials."

Mrs. Richard S. Hawes

Mary Theresa Kemp, wife of Richard S. Hawes, first vice-president of the First National Bank of St. Louis, died at her home in that city on August 21 from sleeping sickness. She had been in failing health since early in February. Mrs. Hawes was a lady of charming personality, a loyal and indefatigable helpmate and a ready worker in many patriotic and civic movements. To her husband, the former President of the American Bankers Association, is extended the sincere sympathy of his thousands of friends in and out of the banking fraternity.

Excursion Rates of Fare

The railroads have made attractive rates for the convention. Reduced excursion rates with liberal stop-over privileges, both going and returning, have been granted. Up to September 30 tickets will be sold which are good returning until October 31. Full information as to rates and stop-over privileges may be secured from ticket agents in any city.

Golf Committees

Arrangements have been made by the bankers' golf committees in the cities of Chicago, St. Louis, New Orleans, Omaha, Minneapolis, Kansas City, Denver, Salt Lake City, Albuquerque, New Mexico, El Paso, Spokane, Seattle, Portland and San Francisco, to entertain delegates on their way to the Los Angeles convention.

C. E. McBroom, vice-president of the Exchange National Bank of Spokane and chairman of the Spokane Golf Committee, announces that he will be glad to receive information concerning the delegates who will stop in Spokane, the time they will arrive, etc. This committee will supply the delegates with transportation to the country club and give them a game immediately upon their arrival. The chairman of the other cities where delegates may stop should be supplied with similar infomation. Bankers who intend to stop at any of the cities named are requested to write to the chairman of the bankers' golf committees in those cities, giving the date of arrival and the extent of the visit and what is desired in connection with playing golf or being entertained in any other way.

J. W. Spangler, president of the Seattle National Bank, is chairman of the Golf Committee in Seattle.

New Banks Organized

CALIFORNIA

Lankershim — The First National Bank. Capital, $25,000. President, Jim Wilson; cashier, J. A. Huizenga.

Roseville — The Railroad National Bank. Capital, $50,000. President, Geo. W. Peltier; cashier, W. H. Arnold.

FLORIDA

Miami—Farmers State Bank. Capital, $25,000. President, T. L. Pottenger; cashier, Geo. Althouse.

ILLINOIS

Chicago—Boulevard Bridge Bank. President, Lawrence H. Whiting.

Chicago—Edgewater Trust & Savings Bank. Capital, $300,000. President, Verne M. Alexander; cashier, E. O. Jones.

Chicago—The National Bank of Woodlawn. Capital, $300,000. President, Howard H. Wanzer.

Chicago — Roosevelt State Bank. Capital, $100,000. President, Alexander Flower; cashier, Chas. H. Irish.

Clinton — Peoples Bank. Capital, $100,000.

Niles—State Bank of Niles.

Wilsonville—Wilsonville State Bank.

INDIANA

Fort Wayne—Dime Savings & Trust Company. Capital, $300,000.

Fountain City—Fountain State Bank. Capital, $25,000.

Lexington — Lexington State Bank. Capital, $25,000. President, Perry F. Smith; cashier, Thomas Lofthus.

IOWA

Anita—Citizens State Bank. Capital, $50,000. President, Abe Biggs; vice-president, Isaac Brown.

Braddyville—Braddyville State Bank. Capital, $25,000. President, J. E. McCurdy; cashier, E. P. Smith.

Le Mars—Plymouth County Savings Bank. President, G. J. Martin; cashier, O. F. Vollmar.

KANSAS

Howard—Elk County State Bank. Capital, $25,000. President, D. C. Johnson; cashier, Austin Kinzey.

LOUISIANA

New Orleans — Algiers Trust & Savings Bank. Capital, $200,000. President, George Hebert, Jr.; vice-president and cashier, Adolph Spitzfaden, Jr.

MICHIGAN

Detroit — Commercial State Savings Bank. Capital, $1,000,000.

Lansing—Bank of Lansing. Capital, $200,000.

Lansing—Industrial Bank. Capital, $50,000.

MINNESOTA

Elbow Lake—Farmers Service State Bank.

Farwell—Farmers & Merchants State Bank.

Holland—Holland State Bank. Capital, $25,000.

Minneapolis — Loring Park State Bank.

Perham—Farmers State Bank.

MISSISSIPPI

Goodman—Commercial State Bank. Capital, $15,000.

McComb—McComb Savings Bank & Trust Company. Capital, $35,000.

Sunflower—Citizens Bank. Capital, $15,000. President, J. S. Love; cashier, D. B. Horton.

MISSOURI

Kansas City—Federal Savings & Trust Company. Capital, $200,000. President, G. M. Hargett.

St. Louis—Grant State Bank. Capital, $100,000. President, Louis H. Tiemann; cashier, Edward Diesbarth.

NEBRASKA

Long Pine—Nebraska State Bank. Capital, $25,000. President, John M. Flannigan; cashier, M. J. Flannigan.

NEW JERSEY

Clifton—The First National Bank of Clifton. Capital, $100,000. President, C. Wesley Bensen; cashier, W. E. Walter.

Paterson—The National Trust Bank. Capital, $300,000. Conversion of the Paterson Safe Deposit and Trust Co. President, John W. Griggs; cashier, Fred Lebaugh.

Trenton — Wilbur Trust Company. President, Frank J. Eppele; treasurer, Caleb S. Green.

Woodcliff—Woodcliff Trust Company. Capital, $100,000.

NEW YORK

Albany—Central Bank. Capital, $100,000. President, John B. Hauf; cashier, Clifford J. Beckett.

Far Rockaway—Rockaway Savings Bank.

NORTH CAROLINA

Marion—Giles Trust Company.

Pink Hill—Pink Hill Bank & Trust Company. Capital, $15,000. President, L. P. Tyndall; vice-president, Chas. F. Harvey.

NORTH DAKOTA

Donnybrook—Farmers & Merchants Bank. Capital $15,000.

Fargo — American Trust Company. Capital, $100,000.

OHIO

Willoughby — Bank of Willoughby. Capital, $100,000. President, W. J. Carmichael; cashier, John A. Sheetz.

OKLAHOMA

Hartshorne — Security State Bank. Capital $25,000.

Slick—The First National Bank. Capital, $25,000. President, H. L. Quiett; cashier, J. T. Peyton.

PENNSYLVANIA

Corry—Corry Trust Company.

Kingston—King Edward Trust Company.

Mt. Penn—Mt. Penn Trust Company. Capital $125,000. President, James R. Brown; secretary, C. S. Adams.

North Belle Vernon—The Peoples National Bank. Capital, $100,000. President, T. G. Brown; cashier, T. S. Adams.

Numidia—The Valley National Bank. Capital, $25,000. President, W. S. Sharpless.

Philadelphia — Broad Street Trust Company. Capital, $500,000. President, Wm. Miller.

Philadelphia—Commercial State Bank. Capital, $50,000.

Pittsburgh — American State Bank. Capital, $200,000. President, A. J. Korhnak; cashier, R. D. Stockton.

West Alexander — The Citizens National Bank. Capital, $25,000. President, Thomas R. Bell; cashier, T. S. Maxwell.

West Lebanon—Peoples Bank. President, R. L. George; cashier, E. A. Miller.

SOUTH CAROLINA

Greenwood—State Bank of Greenwood. Capital, $100,000. President, H. M. Graham; cashier, A. McD. Singleton.

TENNESSEE

Bristol—Commonwealth State Bank. Capital, $15,000. President, M. H. Copenhaver; cashier, W. A. Marsh.

Hohenwald—The First National Bank of Hohenwald. Capital, $35,000. President, W. J. Edwards; cashier, W. P. Bryant.

Maynardville—Maynardville State Bank. Capital, $15,000.

TEXAS

Burkeville—Guaranty State Bank.

El Paso—Manhattan Bank & Trust Company. Capital, $100,000. President, F. Gordon; vice-president and cashier, W. C. Haden.

UTAH

Garland—Bank of Garland. Capital, $50,000. President, T. F. Coombs; cashier, M. C. Iverson.

St. George — Dixie Stockgrowers' Bank.

VIRGINIA

South Boston—Liberty Savings Bank. Capital, $50,000. President, J. M. Mason; secretary, D. C. Canada.

Sulphur Springs — Bank of Sulphur Springs. Capital, $15,000. President, E. W. Coates; cashier, S. A. Graves.

Troutdale—The First National Bank. Capital, $25,000. President, J. Cam Fields; cashier, W. F. Wright.

WASHINGTON

Conway—The First National Bank. Capital, $25,000. President, John S. Finstad; cashier, A. Garborg. (Conversion of the State Bank of Conway.)

Elk—Elk State Bank. Capital, $15,000. President, E. E. Emery; cashier, C. F. Hess.

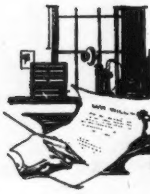
Kelso—Cowlitz Valley Bank. Capital, $30,000.

WEST VIRGINIA

Quinwood—Bank of Quinwood. Capital, $50,000. President, W. S. Wood; cashier, John Nuttall.

WISCONSIN

Bruce — The First National Bank. Capital, $25,000. President, P. S. Krantz; cashier, M. Nygaard.



TRUST COMPANY DIVISION

"Silver Anniversary"

THE twenty-sixth meeting of the Trust Company Division, to be held at Los Angeles, October 4 and 5, will complete a quarter century of activity for this branch of Association work. From a modest beginning at the organization meeting held at St. Louis in September, 1896, the Division has grown to its present position of activity and influence.

The program has been built with the one idea of securing the greatest benefit for the greatest number. Topics of interest and value to trust companies, large and small, in maintaining and upbuilding their business will be presented and discussed. No delegate in attendance need return home without having received one or more thoughts and ideas of value to him in his daily work and he will be doubly welcomed who leaves one or more of his own time-tested ideas or relates a business experience for the benefit of others. There will be some reminiscing—but that is to be expected at a silver anniversary.

If *you* can attend—do so. Enter into the real spirit of the meetings and give your best thought and help in making them a success. In this way, the Los Angeles meetings will stand out in the minds of all delegates as the best and most profitable of all the meetings yet held—and there have been some that will be hard to beat.

The following program will afford an idea of the scope of subjects to be considered. Others, of course, will be introduced at the meetings. None of the usual "reports" will be upon the program. Committee chairmen listed to speak will not "serve" the dry portions of their work. The live portions only will be given.

Program

All meetings in the Ambassador Hotel. President Edmund D. Hulbert will preside at both sessions.

Annual address of the president.—By Edmund D. Hulbert, president Trust Company Division and president the Merchants' Loan and Trust Company, Chicago, Ill.

Greetings and messages by and from the organizers of and past active workers in the Division.

(The Division is greatly favored and benefited in its service to the trust companies of the United States in having held the interest and active participation of its organizers and early workers.)

Your Executive Committee and Its Work.—By Theodore G. Smith, chairman of the Executive Committee and vice-president Central Union Trust Company, New York City.

(Many policies and principles of trust company practice are decided from time to time by this committee, which represents the best trust company thought of the country.)

Recent and Current Events at the National Capitol of Interest to Trust Companies.—By Henry M. Campbell, chairman Committee on Legislation and chairman of the board, Union Trust Company, Detroit, Mich.

(Bills before Congress of vital importance to trust companies are given the most careful attention by this committee. Measures now pending make this topic of absorbing interest to all fiduciary institutions.)

The Trust Officer, the Man and His Equipment.—By Judge William Rhodes Hervey, chairman Trust Company Section, California Bankers Association and vice-president Los Angeles Trust and Savings Bank, Los Angeles, Cal.

(Of much greater importance than the location, equipment or books of record of the newly organized trust department is the selection of the right man. Judge Hervey is preeminently fitted to describe the man and tell what his qualifications for this high office should be in order to secure true success in this work.)

The Trust Companies' National Publicity Campaign—Its Accomplishments and Purposes.—By Francis H. Sisson, chairman Committee on Publicity and vice-president Guaranty Trust Company of New York, New York City.

(To learn of the accomplishments of the Trust Companies' National Publicity Campaign since its inauguration in January and the plans to be developed during 1922 and 1923 will be of direct value and importance to every trust company delegate.)

A Bird's-eye View of Forty-five State Legislative Sessions.—By Nathan D. Prince, chairman Committee on Protective Laws and vice-president the Hartford-Connecticut Trust Co., Hartford, Conn.

(With the meeting of each state legislature comes the introduction of many measures economically and financially unsound. To keep advised upon these bills and to furnish assistance when needed makes the work of this committee one of great importance. Then, too, the assistance given to measures of benefit to trust companies is of similar value.)

Investments.—By Joseph N. Babcock, president of the New York City Association of Trust Companies and Banks in Their Fiduciary Capacities and vice-president Equitable Trust Co., New York City.

(What was once termed "investments" cannot now be assured a place under that title. Changed conditions have eliminated some of the former "investments" and substituted others. That the world-wide significance of this word is being considered more and more makes Mr. Babcock's presentation of this subject one of timely interest.)

The Need of a World-wide Vision.

(Provincialism has no place in the new scheme of things. This topic will also be of timely interest.)

The Relationship of Insurance to Trusts.—By Herbert M. Morgan, assistant vice-president St. Louis Union Trust Co., St. Louis, Mo.

(The creation as well as enlargement of estates through providing adequate insurance is one of the subjects of growing importance to trust companies. The various forms of insurance are also being studied more closely than heretofore by trust company officials and other students of trust company development and service.)

Facts and Figures We Need.—By L. H. Roseberry, vice-president Security Trust and Savings Bank, Los Angeles, Calif.

(It has been apparent for some time that there is a great lack of collated information upon many subjects of value to trust companies. It is hoped that a careful discussion of this subject will be followed by providing the ways and means to meet this need.)

Practical Cooperation With the Bar.—By Wm. S. Miller, chairman Committee on Cooperation with the Bar and vice-president the Northern Trust Co., Chicago, Ill.

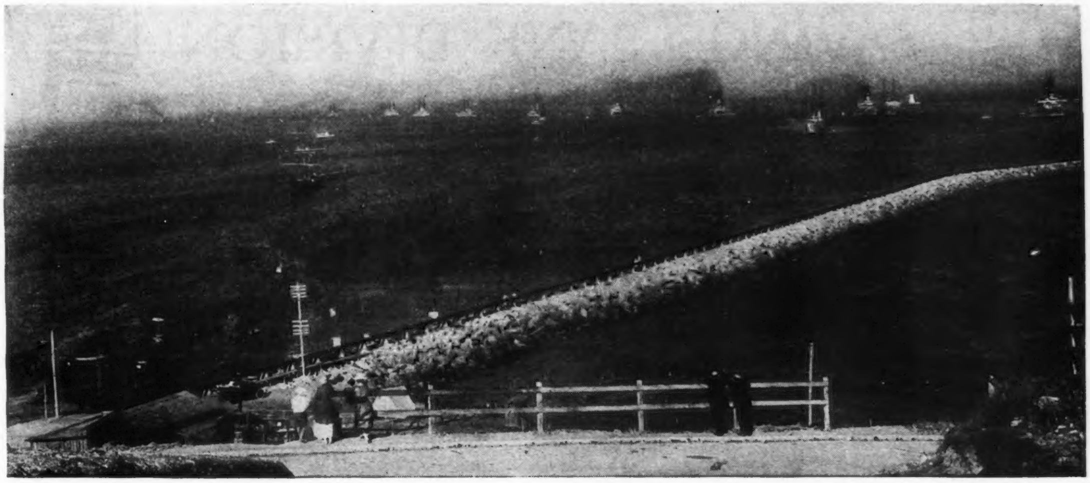
(What is "practical cooperation" in one locality may not be practical in another. The work of welding together in a spirit of cooperation the great legal profession and the fiduciary institutions of the country is a task of no mean proportions. That the work of this committee has been successful to a high degree is evidenced in the progress made toward greater harmony between trust companies and lawyers throughout the country.)

Payment for Service Rendered.—By George D. Edwards, chairman Committee on Standardization of Charges and vice-president Commonwealth Trust Co., Pittsburgh, Pa.

(The discussion of this subject, although old, is ever new. The new problems which always accompany the development of trust company service have a direct and vital bearing upon the subject of remuneration.)

The Spread of Community Trusts.—By Frank J. Parsons, chairman Committee on Community Trusts and vice-president U. S. Mortgage and Trust Company, New York City.

(This activity is no longer confined to a few of our leading cities. Its spread to all parts of the country and the universal interest manifested in the subject makes this work one of peculiar importance to all members.)



Pacific Fleet Off Los Angeles Harbor

The State or City Trust Company Section or Association and Its Work.—By the chairmen or presidents of these organizations.

(The growth and importance of these local organizations have been large factors in the development of trust business in different parts of the country.)

Staff Relations and How to Develop Them.—By P. E. Hathaway, chairman Committee on Staff Relations and employment manager the Northern Trust Company, Chicago, Ill.

(The increased attention now being given to developing the esprit de corps in trust companies and banks make the plans and purposes of this committee a valued addition to the program.)

Some Businesses We Have Managed—a Symposium.

(Nearly every fiduciary institution is from time to time called upon to manage or operate some business received in a trust estate. All of the experiences thus encountered are valuable—some are highly interesting, while others may be humorous or pathetic. Those who have served trusts in these capacities will tell of their experiences.)

A conference of officers and representatives of trust companies engaged in publicity and business development work. Francis H. Sisson, chairman Committee on Publicity and vice-president Guaranty Trust Company of New York, New York City, will preside at this conference.

(The conference upon these subjects held at the last annual convention was believed to be one of the most helpful sessions of the Division. The presentation and development of this year's conference is expected to be doubly helpful.)

Membership Dues

A very large percentage of members have remitted for annual dues, which under the By-Laws of the Association are payable in advance as of September 1. Owing to a large membership and the enormous amount of work in connection with the collection of dues, co-operation by members who have not remitted is requested and will be appreciated.

Remittances Should Be Made in New York Funds Direct to the American Exchange National Bank, New York, and Checks Made Payable to the Order of that Institution.

Reference was made to the matter of membership dues on page 52 of the August JOURNAL. The certificate-drafts signed by the Executive Manager, G. E. Bowerman, and countersigned by the Treasurer, Harry M. Rubey, covering membership dues and subscription to the JOURNAL in full to September 1, 1922, were forwarded direct to every member of the Association on or before September 1. The Association now has enrolled over 23,600 members (or 71 per cent. of all banking institutions), which is the largest in its history.

The Protective Department

William J. Burns, who has recently taken office as head of the Bureau of Investigation of the Department of Justice at Washington, has for twelve years performed, through the William J. Burns International Detective Agency, Inc., the protective work of the American Bankers Association. Though his appointment as head of the Investigation Bureau necessitated severing his connection with the Burns Agency, the protective work of this Association will not be decreased in efficiency, but will be continued as established by the agency now conducted by Mr. Burns's two sons, Raymond J. Burns, president, and W. Sherman Burns, secretary and treasurer. The appointment of Mr. Burns, Sr., has a special significance to the banking world because he will organize immediately a central bureau of investigation where the records of all dangerous criminals will be assembled for the information of the police forces of the country, as well as for the use of government operators. The coordination of government efforts and the making available information for all engaged in the prevention and detection of crime should add to the protection of the banking class. The prevention and the suppression of crime rather than merely detection of offenders after the commission of crimes is the principal factor in Mr. Burns's plans for the reorganization of the office to which he has been called by the Administration.

SAVINGS BANK DIVISION

Who Protects the Savings?

CURIOUS and perhaps criminal motives seem to prompt a series of wholly futile attacks on the great savings institutions in Boston. The results are worth noting.

The banks stand solid. The deposits remain safe and payable upon demand.

Who lost? The dupes of fakirs and those who spread both false rumors of existing institutions and erroneous teachings as to how savings banks should be conducted.

Since the effort to "break" the Boston Five Cent Savings Bank initiative petitions have appeared (1) to give each depositor of a savings bank or of any savings institution having no shareholders a right to vote at corporation meetings and to hold office therein, (2), to establish a depositors' guarantee fund to which both trust companies and savings institutions shall contribute.

Commenting upon these petitions the Boston *Herald* of August 18 said:

"Simon Swig's projected invoking of the initiative to obtain a legislative guarantee of savings bank deposits does not go far enough. Why not have a law guaranteeing the amounts which Tom, Dick and Harry owe the butcher, the baker and the candlestick maker while we are about it? If our merchants would turn in a certain small percentage on all their sales it would cover losses from delinquent debtors—assuming that their number did not increase under such a system. In that way the man who paid his bills and the man who customarily did not would enjoy an equality of credit and an equality of opportunity, while the merchant, through this guarantee drawn from his paying customers, would meet the charges.

"Mr. Swig instead proposes merely that those who put their money into irresponsibly conducted banks should have a public guarantee of its safety. This is not going far enough. The irresponsible in every kind of trade deserve an equal measure of stabilization."

School Savings Accounting

This Division may soon be able to complete an article or special bulletin on bookkeeping methods for banks operating school savings banking systems. There is no more important phase of such projects.

How are results to be checked and improvements made with any degree of precision without knowing what the system is doing? How do *your* percentages compare with those in other cities? If low, why?

What about the kids? Have *they* become savers?

Some banks don't know!

Every bank and each banker who appreciates *his* responsibility for the personal and public thrift and for the economic opinions of the next generation must study cases, must know what his system is doing for individual pupils. This is feasible:

1. Set aside a series of ledger numbers for every pupil who owns a regular bank account, whether the school system has pass books, stamps or punch card.
2. Transfer to regular ledger the accounts of all pupils as they leave school.

Make all statistics accurate. Don't deceive yourself either by failing to include actual pupils or by including those who are no longer in school.

DON'T MISS THIS!

Division's Annual Meeting

October 3, 4, 5, 6

LOS ANGELES

Headquarters: Hotel Roslyn
Meetings: Hotel Alexandria

SUBJECTS:

Real Estate Appraisals.
(Purpose, Bases, Interest Rates.)

Savings Bank Advertising.
(Methods, Results, Costs.)

Laws That Encourage and Protect Savings.
(Mutual, Departmental, etc.)

School Savings Banking.

Public Expenditures.

Industrial Savings Banking.

Postal Savings System.

See Program for Details or Write to New York Office

Tax Exemptions for Loan Associations

Tax exemption of the income from investments in building and loan associations, proposed in the Federal Revenue Bill as it passed the House of Representatives, is being opposed by the American Bankers Association through the Savings Bank Division for reasons well stated in the following resolution:

"The Cincinnati Clearing House Association respectfully protests against the provision of House Bill 8245, which provides for exemption from income tax of $500 dividends or interest received on building and loan stock or deposits. The adoption of this provision would result in discrimination against other savings institutions and banks. This Association is opposed to any tax exemption of this character."

W. A. Sadd of Chattanooga, president of this Division, writes:

"This is certainly *one of the most vicious tax exemptions that was ever proposed* and is merely the entering wedge towards a furtherance of this tax exemption of securities. I think opposition should be made with all the force possible."

Postal Savings Deposits

On July 31 total deposits in the U. S. postal savings system approximated $152,500,000. Commenting on this the news items have said that the decrease of less than $500,000 from the previous month "reflects a considerable improvement when it is recalled that postal savings suffered a decrease of approximately $2,500,000 during the month of June."

This is not so obvious when we note that the cities which reported gains and the month's gained are as follows:

Seattle, Wash.	$1,302,070
Boston, Mass.	482,037
Everett, Wash.	133,110
Tacoma, Wash.	119,630
Bremerton, Wash.	87,941
Atlantic City, N. J.	44,406
Bellingham, Wash.	13,909
Spokane, Wash.	11,090
Astoria, Ore.	10,063

Seattle suffered the failure of a bank with $11,000,000 of deposits and 16,400 depositors. Within thirty days the Seattle postal system increased nearly 100 per cent. in deposits (to $2,878,609) and from 3,801 to 5,740 in number of depositors. Seven of the nine cities reporting increases may have been affected by the same event.

Boston suffered a run on a savings institution, one result of which is described in a Boston news item of August 1, as follows:

"It was learned from postal authorities tonight that since the bank run started postal savings deposits in this city had amounted to nearly $500,000, breaking all records for so short a period. Nearly $80,000 was deposited today at the central post office, where the daily average for some time is said to have been about $1,500."

Abnormal increases in postal deposits might well be explained in the official bulletins for the general instruction of the public and for the information of the taxpayers as well as of its patrons.

Postal Savings Investments

Of the total deposits in the postal savings system $118,656,750 are (August 9, 1921) invested in Liberty Bonds, $25,000,000 of which were purchased during 1919 and the remainder during 1921.

Banker Comment on Postal Savings

Each to His Last, by Puelicher

"I have always had the feeling that the people of the United States would be better satisfied to get efficient postal service from the Post Office and permit the banking of the country to be done by the banks, each attending to its own business." J. H. Puelicher, president Marshall & Ilsley Bank, Milwaukee.

Use of Savings, by Frazier

That savings are not increased in the aggregate by a slight raise in interest rates, but are merely shifted by variation in rates by savings institutions, is emphasized by Raymond R. Frazier, president of the Washington Mutual Savings Bank of Seattle and vice-president of the Savings Bank Division of the American Bankers Association:

"It is utterly fallacious," writes Mr. Frazier, "to contend that a high rate of interest will attract money from 'stockings.' The people, usually those of foreign birth, who patronize the Postal Savings Bank do so because they are afraid of our privately conducted state and national institutions. If the government is going to set up a big savings bank, then let it engage in the business of loaning money for home-building purposes.

"Of course, the real danger lies deeper than all this, namely, in the apparently well-defined tendency of the government to inject itself into business."

Aggressive Banking, by McAdams

"I do not think negative opposition will be successful and that the banks of the country must present some concrete plan for increasing the savings of the people—so essential to a return to normal business conditions and the rebuilding of our credit structure—if we are going to get favorable consideration at the hands of Congress." Thos. B. McAdams, vice-president Merchants National Bank of Richmond, Va., and vice-president of the American Bankers Association.

Excess Officialism, by Cook

"Hoarded money will not come out until the people hoarding it are satisfied it is safe to use it. Special inducements in the way of interest rates even now exist in the shape of Liberty Bonds at present market rates. In our judgment *there is too much agitation and discussion generally of conditions by Government officials and employes, of all kinds of alleged helpful schemes for one class or another.* This new scheme of helping the foreign born population is to our mind *absurb!"* F. B. Cook, president Columbia Trust Co., Salt Lake City, Utah.

Rate Chasing, by Brock

"If they want to go out and stir up this whole nation on the subject of thrift, let them do it, and I will be close on their heels and I will get my share of their free advertising, but it will be the greatest calamity if they begin to teach the people of this nation to be *rate-chasers.* We have had our experience here in Boston in that respect in the last two or three years, and the result has been a sad one indeed. We do not need so much stress upon the rate of interest given as upon the need of a thrifty citizenship." George E. Brock, president Home Savings Bank, Boston.

Bonus on Deposits, by Hinsch

"Increasing the Postal Savings rates to compete with banking rates would simply offer the farmer an even choice as to where he would place his money.

"But offering postmasters a fee or bonus, according to the amount of deposits secured, would bring about a situation of grave danger. Knowing that he would receive his fixed salary for attending to the mails, the postmaster would neglect that duty to build up his Postal Savings fees.

"These plans on the part of cabinet officers are evidences of paternalism in government. * * * If these proposals to which I have referred are carried out, we will have 'less business and more government.'" Chas. A. Hinsch, president Fifth-Third National Bank, and also of Union Savings Bank & Trust Company, Cincinnati.

Officialism Fails, by Howard

"Any attempt to reach the foreign element through Postal Savings in New Orleans is doomed to failure, because most of the depositors are transients, and a large majority speak and read any variety of foreign languages, but very little English. This class of customers flock to the various branch banks in New Orleans, where they can be understood, and where they know a courteous teller will receive them. A casual glance at the line of depositors at the Postal Savings window would convince anyone that they are treated with the utmost coldness, precision, lack of understanding, and lack of interest; just so much cattle that must be handled to hold down a government job, which I would be willing to leave to the observation of the Postmaster General himself." A. P. Howard, vice-president Hibernia Bank & Trust Company, New Orleans.

Thrifty Communities Lose, by Deppe

"If the government is going to embark in the banking business through the postal savings department and pay their postmasters commissions on the business they do, and accumulate money in one section and use it in any community or section of the country where the government thinks it is needed for governmental operations, I think the whole thought of community thrift is defeated and it would not be fair to the population in the community to have that savings money extended all over the country through the government agencies." Chas. H. Deppe, vice-president Union Savings Bank & Trust Co., Cincinnati.

Currency Not Needed, by Riley

"The economic waste resulting from hidden currency at the present time falls exclusively on the hider in the form of loss of interest. The country at the present time is better off with these savings hidden that it may not sustain further inflation." H. B. Riley, president Chicago Title & Trust Company, Chicago.

Community Benefits, by Borgman

"The post office department in its management of postal savings has not kept faith with the corporate banks as to redeposit in banks in the locality in which the money was accumulated. * * * What assurance have we that it will not be violated again?

"To bring out funds which would not use the local savings banks, the machinery of the post office department has been used for advertising purposes, with these results in Detroit:

Sept. 8, 1920	Savings deposits	$235,500,000
	Postal savings	3,335,000
June 30, 1921	Savings deposits	214,800,000
	Postal savings	940,000

"Detroit has a large foreign population. The banks here have recognized the saving ability of these people and encouraged it by the development of the branch banking system, thereby bringing the bank right up to their homes. They have been made to feel that the bank was there for their benefit, and have deposited extensively and have been aided by the banks in purchasing their homes." H. P. Borgman, vice-president Peoples State Bank, Detroit.

Commercial Benefits, by Hilton

"It is apparent that the banks of commercial discount, trust companies and the like already benefit in a degree through the operation of the postal savings system through the deposits, under existing rules and regulations, of substantial sums in open account." Frank L. Hilton, vice-president Bank of the Manhattan Company, New York.

Rural Banking, by Gethoefer

"The postal savings system is, except from one angle, a superfluity in the United States. The angle I refer to is the one field in which the system does not operate, the localities where there are no banking facilities. * * * It has required more dollars to purchase during the past few years the same commodity than it did prior to the war, and in consequence the average person and tradesman has accustomed himself to carrying larger sums of available cash. Finally, the United States Government should get out of the banking business." L. H. Gethoefer, president Pittsburgh Trust Company, Pittsburgh.

NATIONAL BANK DIVISION

THE program committee of the National Bank Division is able to announce that the arrangements for the annual convention are complete. Division meetings will be held in "Berean Hall" in the Auditorium.

Monday, October 3

At ten o'clock Monday morning the Executive Committee of the Division, and also its standing committees, will meet in Private Dining Room No. 5 of the Clark Hotel to pass upon matters preliminary to the convention proper. Members of the Executive Committee will hold themselves in readiness for other meetings upon call of the Chairman, Mr. Newcomer, President, National Exchange Bank, Baltimore.

Wednesday, October 5

The convention will be called to order at 2:00 P. M. in "Berean Hall" Auditorium by President McKee, following which there will be an invocation by Dr. James A. Francis, pastor of the First Baptist Church, Los Angeles. Addresses will be made by Hon. D. R. Crissinger, Comptroller of the Currency, and H. C. Carr, Vice-President, First National Bank, Porterville, Calif. The Comptroller will speak on "Our New Responsibilities" and the delegates and guests are assured an interesting discourse. Mr. Carr is well known to Pacific Coast bankers and will deliver his usually pleasing address, his subject being "The Call of the West."

Several committees will be appointed at the session and interesting and informing reports will be made by the chairmen of the Division's standing committees.

Thursday, October 6

After the call to order by the President an address will be delivered by Henry M. Robinson, President, First National Bank, Los Angeles, on the subject of "Free Ports and Free Zones." Mr. Robinson formerly was a member of the United States Shipping Board and also was a member of the Supreme Economic Council of the Peace Conference in Paris, serving as chairman of the sub-committee on shipping. Into his remarks will be interwoven a discussion of our foreign trade situation and possibilities and the conditions contributory thereto. The Division is pleased to announce, too, that it has scheduled Dr. Tully C. Knoles, President of the College of the Pacific, San Diego. He is a profound student and will speak on the subject of "Labor and Radicalism," this being an exposition of the responses of labor groups to radical propaganda. Dr. Knoles is widely and well known for the depth of his thought upon Americanization subjects.

Then will follow reports of special committees and installation of newly elected officers.

Headquarters for the National Bank Division will be at the Clark Hotel, which is only two minutes' walk from the Auditorium.

The Auditorium where the Division meetings are to be held should not be confused with the Auditorium Hotel.

Division State Vice-Presidents

Each state is entitled to a vice-president of the National Bank Division. These officers are elected for one year by the national bank members of the American Bankers Association who attend the meetings of the state bankers associations. State vice-presidents hold office from the time of the annual meeting of the division next following their selection. These officers are chosen for their intimate acquaintance with banking and general business conditions in their states and they are charged with the duty of keeping the members of the Executive Committee and the division itself informed upon matters of importance to bankers and investors in their states.

The officers in the following list, which is supplemental to the one published in the July JOURNAL, will assume their positions upon the convening of the annual convention in Los Angeles, October 3, next:

Connecticut—E. S. Wolfe, president First National Bank, Bridgeport.
Idaho—Ross J. Comstock, Jr., cashier First National Bank, Rexburg.
Indiana—H. F. Bucklin, cashier First National Bank, Brazil.
Iowa—W. A. Lane, cashier First National Bank, Waterloo.
Maine—Charles S. Hichborn, president First National Granite Bank, Augusta.
Minnesota—J. H. Ingwerson, vice-president First National Bank, Duluth.
Nebraska—C. J. Miles, president Grand Island National Bank, Grand Island.
Nevada—Arthur Smith, president Copper National Bank, East Ely.
New Hampshire—Ira F. Harris, cashier Indian Head National Bank, Nashua.
New York—H. A. Beeman, cashier Canandaigua National Bank, Canandaigua.
North Dakota—M. B. Cassell, vice-president First National Bank, Hope.
Ohio—E. L. Abbott, cashier First National Bank, Columbus.
Oklahoma—J. R. Prentice, vice-president First National Bank, Duncan.
Oregon—J. A. Thornburgh, president Forest Grove National Bank, Forest Grove.
Rhode Island—Thomas P. Congdon, vice-president and cashier Aquidneck National Bank, Newport.
South Carolina—W. L. Glover, cashier Edisto National Bank, Orangeburg.
South Dakota—F. D. Peckham, president First National Bank, Alexandria.
Utah—E. A. Culbertson, president National Bank of the Republic, Salt Lake City.
Washington—W. L. Steinweg, president First National Bank, Yakima.

National Banks Chartered

On September 1, 1921, there were 8189 national banks in operation. The charters of 230 of them date back to the period between the passage of the national bank law February 25, 1863, and its re-enactment June 3, 1864.

During the last year 212 charters were issued by the Comptroller of the Currency to organizations with capital aggregating about $19,000,000.

The associations chartered could be classified as follows: Fifty conversions of state banks, twenty-one reorganizations of national, state and private banks, and 141 original organizations. Of the total number sixty-one have issued circulation.

Also during the year 372 banks increased their capital stock by $65,000,000. Offsetting this sum in part were the voluntary liquidations and consolidations aggregating $35,810,000 of capital stock.

Since enactment in 1918 of the law permitting consolidation of national banks, 110 of them have consolidated into fifty-four associations, and the last year thirty-six consolidated into eighteen banks.

The authorized capital of all national banks is $1,275,720,565 and the circulation outstanding amounts to $743,290,000.

John A. Terrace has been appointed manager of the Foreign Department of the Guaranty Trust Company of New York.

Charles Griswold, treasurer of The Guilford Trust Company and The Guilford Savings Bank, Guilford, Conn., has resigned after a service of more than forty years as a bank official, and has been made Chairman of the Board. Alfred R. Griswold, assistant treasurer, has been elected treasurer of both banks. Charles Griswold is in his eighty-first year. From 1889 to 1893 he was Bank Commissioner of Connecticut.

The Midland Bank, Cleveland's newest institution, completed the first four months of its operation on August 4 with deposits of $3,850,000.00. This sum, together with its capital and surplus of $2,400,000.00 gives the institution resources of $6,250,000.00.

William P. Sharer, formerly of the First National Bank of Zanesville, Ohio, is the president. On the board of the institution are no less than four bank presidents while more than 90 bankers own stock.

STATE BANK DIVISION

Convention of State Bank Supervisors

THE Twentieth Annual Convention of the National Association of Supervisors of State Banks, held at Philadelphia August 3, 4, and 5, was a rare combination of addresses and discussions. The delegates were welcomed by Mayor J. Hampton Moore, who spoke with pride of the city and its history, and the sight-seeing features subsequently enjoyed abundantly verified all that the Mayor said. Hon. Marshall Cousins, Commissioner of Banking of the State of Wisconsin, responded to Mayor Moore's welcome in characteristic Badger style. The president of the association, Hon. F. W. Merrick, of Michigan, made an informal address in which he congratulated the organization upon its present usefulness and future possibilities.

State Bank Development

Secretary R. N. Sims submitted a report of the activities of the association, including a compilation of statistics showing the development of state-chartered banking institutions. "It has been a great thing," said Mr. Sims, "that so few financial institutions have been permitted—and I use the word 'permitted' advisedly—to fall by the wayside when we all believed that so many would fall. Coming back to this statement, it was a revelation to me, when these figures were compiled, to find that the State banking institutions of the United States, during this period from June 30, 1920, until March of 1921, had only had a falling off in their deposits amounting to approximately 170 millions of dollars—170 millions with total deposits of $23,780,000,000."

The sentiment of the convention in regard to State bank development was subsequently expressed in the following resolutions:

Resolved, That we receive with extreme satisfaction the report of the secretary showing that at the compilation of figures made in July of the present year, the total resources of the banks and banking institutions under the supervision of the respective members of this association, amounts to $29,412,657,029.83, being a substantial increase over the figures shown one year ago.

Resolved, That we feel satisfied the experience of the last several years has demonstrated beyond all doubt the necessity for the continued existence of banks chartered by the Federal Government and of banks chartered by the respective state governments. We firmly believe the commercial interests of the nation require the two systems and that they, as well as the government, have been materially benefited by the existence of the two systems. We feel confident the Congress in future legislation concerning banking institutions will fully consider the effect of such legislation upon the state banking institutions which, as the figures show, carry over $9,000,000,000 more deposits than the national banks.

Bank Promotion

Hon. John S. Fisher, Commissioner of Banking of the State of Philadelphia, discussed the subject of "Bank Promotion," and in the course of his remarks said:

A bank promotion rarely ever possesses the element of spontaneity. It is usually thrust upon the community. It almost invariably represents the effort of someone whose motives spring from a selfish interest. In most cases the object of the promoter is to procure a commission, although he may have other objects in view.

Naturally and of right, prime consideration should be had for the interests of the public. The public represents all those who do, or may, become patrons of the bank. They represent the most numerous and essential group in the bank's operations. The success of the bank is predicated upon the extent to which the public patronizes it. In depositing their moneys with the bank, the patrons are entitled to two things—absolute safety and return upon demand. They have no hand or voice in the management of the institution, hence their patronage is based upon faith in the bank and its proper conduct. They get little or no profit from their money while it is in possession of the bank, unless it be a small return upon time deposits. To insure the safety of deposits and guarantee their availability upon call, it is the duty of the state to supervise the operations of the bank, and it should be its duty to exercise such supervision as will impart to the structural organization of the bank every possible element of strength and soundness. If, in promotions, there are practices and indulgences which infect the bank with elements of weakness, it is surely the duty of the state to apply a proper remedy.

The time has come where weight should be given to the effect of the incorporation of a new bank upon existing banks and upon the general banking situation. Naturally the old banks are inclined to oppose the organization of new ones. Such opposition is always open to the criticism that it is inspired by self-interest. This element in our equation should, therefore, be viewed from the high ground of public policy. The business of the country is growing, new banks will become essential from time to time, and a large degree of freedom should be permitted for the expansion of the banking system to meet all reasonable public demands. But a bank no longer exists unto itself. When it comes into being, it is intimately bound up with all other banks through our system of clearances, depositories, rediscounts, acceptances, and general relations to the trade and credits of the country. Each bank becomes an organic unit in a great system composed of thousands of others, large and small, through which the complex financial operations of the business world are carried on. Each banking unit has a vital interest in the soundness and healthy operation of every other in the system. In authorizing a new institution the public authorities, therefore, are warranted in giving due regard to its necessity, its soundness, its management and its possibilities of success, as bearing upon other banks.

Next in order of consideration comes the stockholders. Possibly as an inheritance from the old free banking ideas, it has become imbedded in the American mind that anybody who desires to do so has the right to enter the banking field. In banking, as in other forms of public service, this old notion of individual right must yield to modern conditions. The right, under proper limitations, should be preserved, but we have reached a point of evolution where it must be placed under such reasonable restrictions as are essential to the best interests of the public at large. No longer is the stockholder the most important factor in the banking equation. His claim to dividends and profits is relegated to a place of secondary importance when weighed against public interest. He is, however, vital to the existence of the bank and to its successful management. He jeopardizes his capital by pledging it as a protection against loss to depositors. Because of his responsibility for the conduct of the business and the safe operation of the institution, it is evident that he is still a prime factor. For this reason the state owes it as a duty to look into the fitness and responsibility of the stockholders who organize the institution. This theory has particular application to the case of promoted banks. The stockholder of one of these institutions does not ordinarily enter the field of banking of his own volition, but is usually induced to do so through the solicitation and importunities of the promoter. For this reason the stockholders of the promoted institution are often without knowledge or experience in the banking business. They are induced to come into the enterprise merely as investors without any appreciation of the responsibilities. It not infrequently happens that by appealing to class and racial interests and pride, a skilful organizer can procure the necessary capital to organize the bank. When he has taken his pay, he decamps and leaves the bank in incompetent hands, with the result that it is faced with failure in its very inception. The state owes it to such stockholders, not only for their own protection, but for the safety of the institution in which they are interested, to see that they are protected against their own lack of fitness and ability to carry on the enterprise for which they are responsible.

The promoter of a bank is by far the most important factor in its formation, but his interests are to be the least regarded and his actions most carefully scanned. He occupies a position of dominating influence. He selects his field of operations, chooses the list of stockholders, dominates the selection of officers, and determines the amount of his own compensation. The law looks askance at the promoter in any field of activity. The courts hold him under suspicion. He may be all right, but the burden of justifying his operations and establishing his good faith rests on his own shoulders. Bank promoters are no exception. When they enter this field of endeavor they must submit to the shadow of doubt which the law throws over their calling. As a matter of fact they are much as other men—mostly good, but some otherwise and in the descending scale. Within my knowledge they range from one with a variegated criminal record to a respected minister of the gospel. Some keep barely within the pale of the law, while others conduct their business with a high degree of diligence and rectitude. But any regulation of a public character must be based upon the worst and not the best phases of their activities.

Promoters are of two kinds, casual and professional. The casual promoter is usually interested in some individual enterprise from which he expects to reap some special advantage. It may be the unloading of a piece of real estate, or the use of the institution to finance his private business, or the satisfaction of a grudge against some other bank. Such promotions are comparatively rare and may be passed up without further comment. The professional, however, makes bank promotions his vocation. He is on the job permanently and is equipped with such assistants and such publicity agencies as are essential to the carrying on of his trade. He must continue to organize banks in order to maintain himself. It is this very necessity which often leads him astray in the choice of his field of activity and the selection of his subscribers. He is ordinarily a man of intelligence and good address, understands the psychology of the public mind, and has at his command every artifice which is employed by the professional promoter. No one knows better than he how to play upon personal or communal pride, or how to sound the clarion call for the masses to rise up and establish a "people's bank." He is a skilful propagandist and understands perfectly the use that can be made of the advertising agency. He sets forth in glowing terms the profits and benefits which are sure to accrue without ever a reference to the difficulties and dangers which beset the banker. No cloud is permitted to dim the horizon while he is soliciting subscrip-

Aggregate Resources Under State Control

By R. N. SIMS
Secretary-Treasurer National Association of State Banks
(Formerly Bank Commissioner of Louisiana, now Vice-President of Hibernia Bank & Trust Co., New Orleans, La.)

Compiled from Statements Furnished by Heads of State Banking Departments and Including All Banking Institutions Under Their Supervision

	STATE	Date of Report	No. of Institutions	Capital, Surplus & Undivided Profits	Deposits	Loans & Discounts	Bonds, Stocks, Securities, etc.	Total Resources	
1	ALABAMA	4-18-21	251	$20,276,418.12	$83,883,592.26	$84,049,633.97	$9,916,744.87	$116,209,300.91	1
2	ARIZONA	4-28-21	62	7,310,108.08	42,375,097.86	35,982,160.93	6,926,311.19	56,851,914.09	2
3	ARKANSAS	4-28-21	405	25,330,811.00	105,544,874.00	114,568,043.00	11,791,371.00	160,626,283.00	3
4	CALIFORNIA	4-28-21	426	157,055,219.96	1,273,149,961.49	881,167,822.83	373,462,792.90	1,478,728,075.31	4
5	COLORADO	4-28-21	256	15,673,827.78	91,142,978.06	68,053,245.76	19,450,310.41	110,646,464.62	5
6	CONNECTICUT	3-31-21	153	47,419,000.83	580,284,716.03	285,226,121.19	307,254,494.01	643,839,773.86	6
7	DELAWARE	12-31-20	39	13,170,231.00	67,967,813.00	27,562,209.00	32,730,822.00	84,269,189.00	7
8	FLORIDA	4- 2-21	217	14,115,242.35	104,571,937.19	74,224,391.72	15,150,404.97	122,316,478.69	8
9	GEORGIA	12-15-20	634	62,480,240.46	211,228,229.47	253,648,732.16	21,482,814.38	338,621,312.73	9
10	IDAHO	4-28-21	131	6,497,097.43	32,127,775.52	35,590,413.40	6,035,337.57	50,332,862.69	10
11	ILLINOIS	3-31-21	1391	245,577,670.45	1,555,176,480.69	1,218,228,209.82	301,887,278.01	1,911,864,468.00	11
12	INDIANA	12-29-20	825	62,517,314.70	417,811,124.86	355,352,565.40	76,034,029.19	549,610,180.41	12
13	IOWA	3-22-21	1356	95,282,604.28	586,079,164.88	616,993,214.40	47,373,482.03	764,414,074.56	13
14	KANSAS	3- 5-21	1106	48,509,602.36	266,781,225.55	241,857,066.03	21,334,316.82	335,508,880.93	14
15	KENTUCKY	3- 3-21	464	36,350,569.97	176,386,184.45	152,990,634.71	30,888,368.45	231,262,633.69	15
16	LOUISIANA	2-21-21	236	37,556,246.79	248,517,994.58	230,359,993.51	35,979,785.27	341,129,962.79	16
17	MAINE	3-26-21	98	22,390,978.91	227,680,892.48	84,818,878.88	158,066,206.22	258,883,655.68	17
18	MARYLAND	4-28-21	194	55,299,134.52	339,932,149.32	157,832,690.12	174,546,846.89	406,441,887.63	18
19	MASSACHUSETTS { TRUST COS. / OTHER BANKS	4-21-21 / 10-30-20	512	374,863,745.14	2,050,275,967.77	1,508,766,864.75	815,289,352.82	2,521,925,907.14	19
20	MICHIGAN	4-28-21	567	115,070,279.82	791,081,917.59	379,273,796.65	457,182,397.02	1,003,789,406.16	20
21	MINNESOTA	2-21-21	1197	56,406,315.86	434,132,362.06	367,360,308.30	85,571,385.25	523,260,520.24	21
22	MISSISSIPPI	4-28-21	327	22,639,473.24	127,685,175.30	116,481,287.07	21,298,231.06	180,469,553.88	22
23	MISSOURI	2-21-21	1532	123,750,455.09	679,112,015.85	533,245,723.98	121,610,209.47	880,432,025.86	23
24	MONTANA	4-28-21	278	16,729,841.90	77,298,146.36	76,729,583.35	10,476,629.52	108,791,098.67	24
25	NEBRASKA	2-16-21	1009	40,364,042.47	241,808,202.71	228,348,009.45	9,924,039.03	297,607,241.30	25
26	NEVADA	4-28-21	24	2,743,393.17	18,291,583.23	14,230,817.67	2,519,839.03	21,846,165.72	26
27	NEW HAMPSHIRE	3-31-21	70	14,837,483.42	147,773,412.56	70,809,464.19	87,936,134.48	164,279,963.88	27
28	NEW JERSEY	4-28-21	181	86,196,933.85	775,117,581.28	302,477,395.16	490,753,672.92	891,304,344.98	28
29	NEW MEXICO	4-28-21	76	4,441,515.68	17,312,802.70	18,850,213.46	1,168,453.25	24,423,468.16	29
30	NEW YORK { SAVINGS BANKS / OTHER BANKS	12-31-20 / 2-28-21	576	712,975,228.00	6,321,844,883.00	2,541,899,738.00	3,453,990,432.00	7,580,172,382.00	30
31	NORTH CAROLINA	4-28-21	559	37,299,648.04	177,276,187.91	188,938,295.88	15,119,587.49	248,033,000.94	31
32	NORTH DAKOTA	4-28-21	677	15,628,550.00	92,727,347.67	106,982,149.72	5,984,213.29	129,686,693.77	32
33	OHIO	5- 4-21	758	168,962,610.00	1,225,627,016.00	960,993,282.00	292,222,256.00	1,511,411,075.00	33
34	OKLAHOMA	2-21-21	620	20,065,498.99	154,236,510.97	120,376,137.74	18,350,228.62	186,377,532.49	34
35	OREGON	2-28-21	287	36,355,404.93	240,856,813.41	186,568,331.97	52,190,600.88	307,590,791.24	35
36	PENNSYLVANIA	3-29-21	732	394,596,101.40	1,721,737,689.42	981,031,748.15	857,111,110.71	2,219,923,384.70	36
37	RHODE ISLAND	6-30-20	48	31,329,232.66	297,117,858.90	150,653,020.18	144,209,350.82	336,523,747.54	37
38	SOUTH CAROLINA	4-28-21	382	29,212,886.37	106,753,578.33	129,863,883.59	11,303,559.95	164,751,862.11	38
39	SOUTH DAKOTA	2-21-21	566	20,221,069.63	142,812,596.93	143,727,392.69	3,779,556.43	180,569,232.13	39
40	TENNESSEE	4-28-21	472	35,330,292.91	161,537,464.12	157,641,373.75	24,036,359.64	233,947,155.80	40
41	TEXAS	4-28-21	1032	72,019,210.01	250,524,428.35	249,520,663.85	22,060,317.12	359,791,355.08	41
42	UTAH	3-25-21	101	13,373,822.56	69,945,819.22	62,613,185.25	14,711,599.03	93,082,106.13	42
43	VERMONT	4-28-21	58	11,401,638.05	119,986,016.73	97,339,440.69	30,531,758.63	134,521,128.22	43
44	VIRGINIA	4-28-21	339	40,790,254.69	131,671,347.14	143,456,161.59	21,852,825.70	191,097,717.40	44
45	WASHINGTON	4-28-21	303	23,549,409.04	159,190,164.58	114,782,727.43	39,588,999.41	194,593,904.29	45
46	WEST VIRGINIA	4-28-21	225	33,786,848.92	185,235,610.47	150,471,311.61	31,994,998.03	224,765,647.18	46
47	WISCONSIN	4-28-21	844	54,201,609.90	428,533,683.17	350,339,459.91	83,010,474.23	506,249,630.73	47
48	WYOMING	4-28-21	109	5,126,028.83	22,604,443.08	21,856,800.37	1,738,045.48	29,881,594.50	48
	TOTALS (Average Date March, 1921)		22,705	$3,587,081,143.56	$23,780,750,818.50	$15,449,134,595.23	$8,877,828,333.49	$29,412,657,029.83	
	Statement of Comptroller of Currency gives totals for all National Banks	2-21-21	8,143	2,733,815,000.00	15,478,354,000.00	11,680,837,000.00	4,028,059,000.00	20,307,651,000.00	
	EXCESS OF STATE BANKING INSTITUTIONS		14,562	$855,266,143.56	$8,302,396,818.50	$3,768,297,595.23	$4,849,769,333.49	$9,105,006,029.83	
	†Totals State Banks, June 30, 1920		21,923	$3,341,012,552.18	$23,950,838,611.35	$15,334,616,394.62	$8,235,427,676.40	$29,191,455,648.43	
	Totals State Banks, March, 1921		22,705	3,587,081,143.56	23,780,750,818.50	15,449,134,595.23	8,877,828,333.49	29,412,657,029.83	
	†Totals National Banks, June 30, 1920		8,093	$2,622,075,000.00	$17,155,421,000.00	$12,396,900,000.00	$4,498,771,000.00	$22,196,737,000.00	
	Totals National Banks, February 21, 1921		8,143	2,733,815,000.00	15,478,354,000.00	11,680,837,000.00	4,028,059,000.00	20,307,651,000.00	

†Make your own comparisons.

*Includes Undivided Profits.

NOTE—State Banking Institutions show increase in Capital of $139,665,681.31; increase in Resources of $221,201,381.40; and decrease in deposits of $170,087,792.85.

tions. Exaggeration of the prospects of success and concealment of the dangers of failure play a large part in the promoter's plan of operations. He, perhaps, is not conscious that he is lacking in frankness, but his temperament and his interest in the success of his promotion naturally determine his course of action. The dominating influence of the organizer often tempts him to take advantage of his position. He takes a liberal fee and exacts it from the first money paid in by the subscribers. Not infrequently his interest visibly wanes after he has been reimbursed, and he has been known to seek new and greener pastures while the enterprise for which he has been paid is left to languish. I have known organizers to carry charters around in their pockets for more than a year while the payments made by subscribers have been left to lay dormant. In one or two instances charters have been permitted to lapse. Sometimes the promoter keeps the collections from subscribers under his control, without security. Unconscionable fees, prolonged delays in effecting organization, and irresponsible handling of subscribers' money demand some sort of action. Certainly all organizers do not indulge in all these malpractices all the time. A few of them go the limit, some have frequent lapses, and all fall down occasionally. There should be regulation of the operations of the organizers. To exclude undesirables from this important field of activity, perhaps a licensing system for professional organizers might be adopted. In any event the supervisory power of the state should be exerted.

Value of Cooperation

"The Value of Cooperation" was emphasized in an interesting address by Hon. D. R. Crissinger, Comptroller of the Currency of the United States, who spoke of the relationship between national and state banks as follows:

Much has been said at gatherings such as this, and in the financial press, the bankers associations, and other interested organizations, about the desirability of cooperation between the state and Federal supervisory authorities in the matter of bank examinations not only for statistical purposes, but in many other ways. It seems desirable that we should at not too infrequent intervals be able to secure, as the result of synchronized calls on all banks, a composite picture of the whole banking situation of the nation. On the whole, some progress has been made in this direction, though there has not always been as much disposition to cooperation as might be wished. I earnestly hope that the conduct of the comptroller's office may be such as to commend such cooperation to all of you and to insure the usual results that I am confident would come from it. It is not possible to synchronize all calls because there is variation among the laws and practices of the states. It is merely my idea that there should not be a distinct divergence between state and Federal policies, and that the largest measure of unification should be brought about. It is for this that I want to appeal to you gentlemen. I would be very glad if at least once each year simultaneous calls could be made on all banks; and my bureau would be glad to publish officially the result of the consolidated showing.

I am sure you will all agree with me that none of us have known a period when there was a greater or more onerous responsibility upon the shoulders of men supervising the banking institutions. If your experience has been similar to mine, and I have reason to believe it has, you will also agree that the community of bankers are animated by most commendable purpose of cooperation with the supervisory authorities. This is one of the finest features of the present situation, and has been most helpful in all efforts to handle the conditions presented to us. The new relations of the Federal government to the national banks, brought about through the establishment of the Federal Reserve system, are now well understood. Policies have been developed and crystallized, and whatever possibilities of misunderstanding may have existed in the earlier operation of the Federal Reserve system have largely ceased, or will be soon solved. For myself and my own department, I can give the frankest assurance that it is desired that the advantages which national banks gain through the Federal Reserve system, may be shared so far as it is feasible and possible with other banks. Wherever the power of the Federal Reserve system, gained through consolidation and centralization of authority, can properly be employed to assist the state banking authorities, the effort will be made.

Hon. George W. Norris, Governor of the Federal Reserve Bank of Philadelphia, set forth the advantages of the system that he so well represents and the sentiments of cooperation expressed by Messrs. Crissinger and Norris were reciprocated by the convention in the adoption of the following resolutions:

Resolved, That we appreciate the attendance at our convention of the Hon. D. R. Crissinger, the Comptroller of the Currency, and most cordially reciprocate the sentiment expressed by him for the cooperation between the supervising authority of national banks and state banks as set forth in his address on "The Value of Cooperation." And be it resolved, further, that we urge the members of our association to furnish, without delay, to the Comptroller such statistics and other information as he may desire regarding state-chartered banking institutions in order that he may embody the same in the reports that he publishes subsequent to each of the calls, thus enabling him in a single announcement to show the entire banking power of the United States.

Resolved, That it is again with pleasure we acknowledge our appreciation to the several Federal Reserve banks for the cooperation accorded us in the discharge of our duties, and we further acknowledge the assistance extended to the state banks in their hour of need. We again approve of the Federal Reserve system as a whole and feel confident the Congress will legislate wisely in the enactment of amendments to the law which experience has demonstrated is necessary to make the system more efficient and of greater vaue to the banking institutions, both state and national.

Blue Sky Laws

"The Blue Sky Law in Arkansas" was discussed by Hon. W. T. Maxwell, Bank Commissioner of that state, and a free and full discussion of the subject followed. The consensus of opinion of the convention was subsequently expressed in the adoption of the following resolution:

Resolved, That we approve the enactment of laws by the legislatures of the respective states, prohibiting the sale and offering for sale of the stocks, shares, bonds, debentures and certificates of indebtedness, of companies, syndicates and corporations, until authority has been obtained from the state permitting such sales or offering for sale, and we recommend such laws especially provide that every company, syndicate, corporation, or other organization be required to file a complete and detailed report of the business supported by its sworn statement of the officers and directors, and that it be further required an abstract of such statement in such form as may be required by the supervising authority of the state, be published in newspapers of general circulation as the supervising authority may direct, before any permit authorizing the offering for sale of such securities becomes effective, and we further recommend that the making of a false statement, or the concealing of material information as to the organization, condition, or business of the company or corporation, by the officers, directors, or agents thereof, be punished by a severe fine and imprisonment. We believe that this is a subject upon which there should be general legislation by Congress in restricting the use of the mails in making offerings of securities, the sale of which has not been authorized by a supervising authority, and we also believe the legislature of each state should adopt such legislation as the conditions in the state may require. We recommend that all proposed legislation on the subject be most carefully considered before being adopted that legitimate, honest business enterprises may not be unduly retarded in their development, and we further recommend that there be cooperation between the so-called "Blue Sky" departments of the respective states.

Hon. L. E. Thomas, of Louisiana, told "How to Make Bank Supervision More Efficient, and the Requisites of an Efficient Examination." Mr. Thomas is a gentleman of broad experience and keen insight, and his address was a blend of wit and wisdom. Hon. Louis T. McFadden, Chairman of the Committee on Banking and Currency of the House of Representatives of the United States, explained "Pending Legislation of National Character" and referred to the many difficulties encountered by members of Congress in their efforts to serve their country and their individual constituents. Elliot C. McDougal, President of the State Bank Division of the American Bankers Association, delivered an address on "The Present Business Depression—How Can Congress Help?" which address is published elsewhere in this issue of the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION. Hon. L. R. Adams, General Secretary-Treasurer of the National and State Bankers Protective Association, was unable to be present, but a suitable substitute was found in Mr. Jones, Mr. Adams's assistant, who presented the case of the opponents of the Federal Reserve par collection system in a clear and forceful manner. Mr. Jones's address was along the lines of various articles heretofore published in the JOURNAL. "Publicity in Banking" was illuminated by Samuel H. Barker, Financial Editor of *The Philadelphia North American.* Hon. George V. McLaughlin, Superintendent of Banks of the State of New York, discussed the subject of "Bond Depreciation from Bank Supervision Standpoint," and explained in an informal manner the methods employed in the Empire State. A. V. Morton, Vice-President of the Pennsylvania Company for Insurance on Lives and Granting Annuities, paid an eloquent tribute to "Philadelphia—Mother of American Banking," in which he referred to the services rendered by Robert Morris, Stephen Girard, and Jay Cooke and did not overlook the matchless preacher and practitioner of thrift, Benjamin Franklin.

One of the interesting features of the program was an "Experience Meeting," led by Hon. T. R. Bennett, Superintendent of Banks of Georgia, who recited his own experience and brought out many interesting episodes in the experience of bank supervisors. Hon. George I. Skinner, formerly Superintendent of Banks of the State of New York, and now a prominent New York lawyer, made a reminiscent address on "The National Association of Supervisors of State Banks in Retrospect."

The following named officers were elected for the ensuing year: President, John S. Fisher, of Pennsylvania; first vice-president, James O. Lyford, of New Hampshire; second vice-president, Marshall Cousins, of Wisconsin; third vice-president, Ernest Amos, of Florida, and secretary-treasurer, R. N. Sims, of Louisiana. Detroit was selected as the next convention city.

Meeting at Los Angeles

The fifth annual meeting of the State Bank Division of the American Bankers Association will be held at Los Angeles, Monday afternoon, October 3, and Wednesday afternoon, October 5. Among the subjects to be considered are "The Essentials of Bank Examination," "Country Banks and Farm Finance" and "Par Collections." Each of these three subjects will be presented by competent

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CLEARING HOUSE SECTION

No Protest Symbol Plan

Any bank that receives from its customer, corporation, firm, individual or bank, a check or draft on a bank which it desires to have handled as a "No protest" item, can convey such instructions through several intermediate banks to the final paying bank by means of an inexpensive rubber stamp. To do this an impression of the stamp should be made on the face and as near the right hand end of the item as is possible. The stamp should be ½x⅞ of an inch in size, and should contain the letters "N. P." and the universal numerical transit number of the bank and should be of the following design*:

N. P.
83-164

The instructions on the cash letter accompanying the item should include the following:

N. P.
83-164
Protest all items over $20 not bearing this stamp or similar stamp containing the transit number of a preceding bank endorser.

The teller will place an imprint of his stamp (printed above) on every item of over $20 that passes through his department and which is to be handled as "No protest."

When this plan is in complete operation the clerks who handle the incoming and outgoing mail in subsequent banks will be relieved from examining carefully such items, and comparing the items with the letters in order to determine what items are to be treated as "No protest." If the cash letters read as above indicated the instructions will be automatically conveyed through all hands to the paying banks.

Tags bearing "No protest" instructions pinned or pasted to checks, as well as the numerous symbols now in use, together with all of their attending annoyances, will disappear.

Some banks may for their own convenience want to continue the practice of making a special record on their outgoing cash letters as to what items are to be handled as "No protest." This may be done by placing the letters "N. P.", or such other notations as are satisfactory, either to the right or left of the amounts of the items to which they apply.

*The number assigned to your bank under the Universal Numerical System should appear on the stamp which you use.

It is desirable to make the plan universal in its scope. It is simple and easy of application. Its installation causes little or no expense. It is a great labor and time saver and is beneficial both to the large and small institutions.

Where banks have a large supply of cash letters on hand, it will be necessary for them to procure a rubber stamp with which to change the instructions on these letters. A stamp of the following form is recommended for this purpose:

N. P.
83-164
Protest all items over $20 not bearing this stamp or similar stamp containing the transit number of a preceding bank endorser.

This stamp can be procured from the Clearing House Section of the American Bankers Association at actual cost. A large number of banks have not adopted this plan as yet.

A little cooperation means success. The plan is copyrighted and banks using it must use it in its entirety, observing uniformity in the following particulars:

1st. As to the style and size of the stamp.

2d. As to place of affixing stamp to checks and drafts. (Should be affixed as near as is possible to the right-hand end of the face of the items.)

3d. As to uniform instructions on remittance letters, and

4th. As to minimum amount; (we have adopted $20 as the minimum).

If banks that have not adopted this plan will communicate with the Secretary of the Clearing House Section, he will furnish such additional information as may be desired.

Examiners in Two More Cities

At a meeting of the Clearing House Committee of the Indianapolis Clearing House Association held July 8, new clearing house rules were adopted and the committee decided to install a clearing house examiner, who will be appointed within the next few weeks and within a very short time the system will be in operation.

Word has just been received that the Montgomery, Ala., Clearing House Association has also installed the examiner system. The Clearing House Committee has appointed Dudley C. Williamson manager and examiner. We are glad to see the Indianapolis and Montgomery Clearing House Associations take this forward step.

The secretary of this Section will be very glad to furnish information to any clearing house association that is contemplating such action.

Headquarters at Los Angeles

Headquarters for the Clearing House Section will be at the Clark Hotel, which is located in the hotel section of the business district and within two blocks of the Convention Hall. The meetings of the Section will be held in the ladies' parlor of this hotel on the afternoons of Tuesday and Thursday, October 4 and 6, at 2 o'clock sharp.

An excellent program has been prepared by the Executive Committee. The speakers for the first session to be held Tuesday afternoon are A. A. Crane, President of the Clearing House Section and vice-president of the First National Bank, Minneapolis, Minn.; Dr. James A. Francis of Los Angeles, one of the most sought after speakers of the Pacific coast, who is now in the Orient, Clay H. Hollister, president of the Old National Bank, Grand Rapids, Mich., who will speak on the subject "The Clearing House—A Factor in American Commerce at Home and Abroad" (Mr. Hollister has just returned from Europe and his address will be a most interesting one); Jerome Thralls, secretary-treasurer of the Discount Corporation of New York, and Robert B. Locke, president of the American Institute of Banking.

The second session, which will be held on Thursday afternoon, will be particularly interesting to the bankers from those cities who are contemplating the installation of a clearing house examiner. A symposium will be held on the clearing house examiner system, which will be led by Charles H. Meyer, chief examiner of the Chicago Clearing House Association. Other speakers will be Edward A. James, examiner of the Salt Lake City Clearing House Association; Francis Coates, Jr., of the Cleveland Clearing House Association; John W. Wilson, examiner of the Los Angeles Clearing House Association, and others whose names will be announced later. Following the symposium the meeting will be open for discussion.

Preceding this symposium there will be addresses by President John S. Drum and Vice-President Thos. B. McAdams.

We feel that these meetings will be profitable to all who are planning to attend.

May we not count on your presence?

Collecting Trade Acceptances

WITH a view to ascertaining whether the trade acceptance had fairly and fully met the requirements of business in the period of restricted credit through which we have been passing, the American Acceptance Council addressed a questionnaire to a number of prominent business concerns requesting them to contribute to a brief symposium on this subject. The Council asked for a short statement of their more recent experiences with the trade acceptance including the giving and receiving of acceptances on their own invoices, as well as the collecting and discounting of them through the banking institutions.

Recognizing the fact that business and financial conditions which have been prevailing during the past year or two have emphasized the need of utilizing every available facility in expediting the movements of business, the Council was desirous of obtaining some first-hand information concerning the behavior of the trade acceptance in this "tight-money" period. For the most part, the testimonials more than substantiate the claims that were advanced on the behalf of the acceptance by those who have been instrumental in promoting its use.

Summarizing from the experiences of prominent leaders of American business, the following deductions may fairly be made:

1. That, aside from its value as an instrument of credit, the trade acceptance is the logical evidence of a completed transaction.
2. That the wide-awake business men of this country fully appreciate the value of the trade acceptance and are using it on an ever-increasing scale.
3. That wherever the trade acceptance has been employed in commercial transactions, the effects have been manifest not only in facilitating collections but also greater in liquidation of outstanding credits.
4. That the trade acceptance still enjoys the highest rating for prompt payment at maturity.
5. That the use of the trade acceptance tends to enhance the credit standing of the acceptors.

On the whole, the letters indicate that users of trade acceptances are hewing closely to the line and are proceeding strictly in accordance with the prescribed regulations as laid down by the Federal Reserve Act. Few of the prominent concerns, for example, have adopted the policy of granting special inducements in order to secure a signed acceptance from their customers. There are exceptions to this rule, but they are so few as to be negligible.

Attempts made by some business men to employ the trade acceptance as a means of securing extra time on invoices, or of obtaining advantages not conceded in the selling terms, have for the most part been quickly detected and frustrated. A wholesale dry goods merchant said: "We do not make the trade acceptance a part of the sale contract—it is optional with the customer whether he settles by acceptance or any other method." But no inducement is offered for an acceptance.

Some concerns insist upon the signing of a trade acceptance on all their sales, but they do not give them in their own settlements. Considering the fact that they discount all invoices on which cash discounts are extended, their action in this respect is in every way commendable.

For the most part trade acceptances in common use are free from such conditional clauses and agreements as would tend to complicate them in litigation or make them ineligible for purchase by Federal reserve banks. A few concerns insert a clause proscribing interest payments beyond their due dates, but such acceptances are rare and are fast disappearing.

Of special interest to the readers of this JOURNAL are the increasing evidences of satisfaction on the part of business men because of the cooperation which they are receiving from the bankers in the handling and collecting of trade acceptances. Most of the returns indicate splendid team work by the banks and business concerns, not only in the collecting of out-of-town paper, but also in the buying and discounting of trade acceptances on satisfactory terms. There is still some room for improvement in this particular direction, judging from the comments made by business men in a few localities, but there is reason to believe that better results will henceforth be obtained. The principal source of complaint seems to be in the failure to properly present trade acceptances for payment to the acceptors' banks, to which may be added the failure to recognize an acceptance as an order to pay.

Following are a few excerpts from letters received by the Council, indicating general satisfaction with the service being rendered by some of the banks in handling acceptances:

"We have had no trouble discounting them through our banks and believe the banks are always glad to get our acceptances."

"Our banker tells us that he considers acceptances safer to discount than allowing one customer the same amount of loans outright."

"We have no difficulty in discounting trade acceptances at our bank, as they seem to prefer them to customers' notes."

"On the whole we have found them satisfactory, usually discounting our trade acceptances with our bank, the bank making collection."

"Our banks here have indicated that they will take trade acceptances very willingly."

The trade acceptance system is capable of its full development only through the cooperative efforts of business men and bankers throughout the country. Upon the former rests the responsibility of making acceptances in accordance with sound business practice, and upon the latter of converting them into cash or credit as the case may require.

Proper recognition of these responsibilities and proper coordination by all parties concerned, will add to the value of the trade acceptance as a premier instrument of commercial credit.

Ready to Aid Their State

In refutation of W. G. Roylance's recent article charging the bankers of North Dakota with impairing the credit of the state, W. C. Macfadden, secretary of the North Dakota Bankers Association, directs attention to the resolutions adopted in June by his association.

These resolutions declare that the association's indorsement of the regulations and methods of the administration and of the Bank of North Dakota, in December, 1920, was made solely for the purpose of protecting the credit of the state after the bankers had been assured that the state administration had abandoned socialistic theories; the association pledges its members to extend "100 per cent. of aid and credit and the last dollar of its resources to foster and extend all legitimate individual and cooperative plans and organizations for the more efficient economic production, transportation, mobilization and marketing of the products and resources of the state." The Committee on Resolutions was composed of Ed. Pierce, G. H. Hollister, J. J. Earley, J. J. Nierling, J. L. Bell, W. S. Adams, Blanding Fisher, F. L. Goodman, M. R. Porter, C. J. Lord.

State Bank Program

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speakers and followed by discussions in which delegates are expected to participate. A particularly interesting feature Monday afternoon will be three-minute talks by anybody and everybody on current topics. Delegates are invited to select their own subjects and say what they please. The permanent platform of the State Bank Division declares that the organization is run on vox populi principles, regardless of the size, age, ancestry or location of any individual or institution, and everybody's vox is welcome.

State Secretaries Section

Standardization of Checks

At the last meeting of the Secretaries Section the Committee on Standardization of Forms recommended certain sizes for bank drafts, cashier's checks, certificates of deposit and customer's checks, which report was approved. Since then the matter was reopened by the committee in order that opportunity might be given to representatives of manufacturing and commercial stationers to further discuss the subject with a view of obtaining their support for the movement. In conjunction with the secretary of the Clearing House Section, several conferences were held and at a meeting of the committee in May the matter was taken up for final consideration.

Through the courtesy of C. R. Butler, representing the Eastern and Western Association of Manufacturing Bank and Commercial Stationers, a questionnaire was sent to all members of these associations and to other makers of bank checks throughout the country. The information received confirmed the decision of the committee in officially fixing the sizes recommended as follows:

Bank drafts, certificates of deposit, cashier's checks, trade acceptances and voucher checks (when folded), 8⅜x3⅜ inches.

That all voucher checks be folded at the top. The indorsement should constitute all the receipt necessary for the statement, bill or memo contained inside the voucher.

That all signatures necessary for the bank to know be on the face of the voucher.

That the back of the voucher should be absolutely free of any statements or printing of any kind, except the words at the extreme end, which might possibly read as follows: "The indorsement herein constitutes a receipt for the voucher within."

Folded voucher checks should in all cases conform to these regulations.

Customers' checks, 8¼x3 1/16 inches, except that special checks requiring voucher panels, outlook ovals, etc., which cannot be made on this size, may be made the same size as bank drafts, but in no instance should exceed 8⅜x3⅜ inches.

Pocket checks, 6x2⅝ inches, with no exceptions.

Check and draft numbers and dates should be in all cases in the upper right-hand corner of the check or draft; the amount in figures and the dollar sign in the middle of the right-hand end; the signature at the bottom of the right-hand end of the document.

Deductions for Stockholders

A committee of state secretaries is making an effort to bring about changes in the revenue bill, which will allow deductions on Federal income tax rates of state, county and municipal taxes paid by banks which are assessed against the stockholders of such banks.

Theodore S. Cady of the Fidelity National Bank and Trust Company, Kansas City, Mo., an expert on tax matters, has volunteered his services to the committee and in its behalf has appeared before treasury officials.

Taxes paid by a bank based on the value of stock owned by its stockholders are in effect personal property taxes levied against assets of the bank. Section 5219 of the National Bank Act inhibits the different states from levying or assessing taxes against national chartered banks, except on the value of real estate owned. It, however, states that nothing shall prevent the different states from levying a tax against the stockholders, based on their share of ownership of the bank's assets.

The National Bank Act became effective shortly after the close of the Civil War. Congress desired to give national banks benefits of a special nature not enjoyed by other banking institutions, for the reason that national banks were compelled to buy United States bonds. The sale of these bonds was highly desirable and the government itself was the beneficiary of such purchases of bonds at a time when long-term issues could not well be bought by other institutions or individuals.

In compliance with the provision of the National Bank Act, the different state legislatures were compelled to enact laws, levying taxes, based on personal property owned, against the stockholders, rather than against the banks direct. These taxes are paid by the banks and in ninety-nine cases out of a hundred the stockholders do not reimburse the banks. Our point is that these state, county and municipal (personal property) taxes are an overhead expense of the paying bank, just as surely as real estate taxes, or salaries, or interest paid.

The state of New York has a statute which levies these taxes directly against trust companies chartered by the state. This gives those trust companies an unfair advantage over state chartered banks and national banks located in that state in preparing their Federal income tax returns. Other states have, so we are informed, attempted to pass similar laws affecting banking institutions chartered by their own state. Such laws possibly give relief to those state banking institutions, but not to national banks.

The new Revenue Act will undoubtedly remain in effect for a great many years and there probably will be fewer amendments to that act in the future than there have been in the past to the previous acts. For this reason we believe it imperative that a provision should be contained in the proposed new law, giving permission to banks and other corporations to use as a deduction taxes paid which are assessed against their stockholders. Our suggestion for this new provision would be in the nature of a clause somewhat similar to the following, to be added to subdivision 3 of Section 234 of the present Revenue Act:

"including in the case of banks and other corporations, state, county and municipal taxes paid, which are assessed against stockholders on their ownership of stock in such banks or other corporations."

It is not our intention to present any argument tending to a reduction of Federal taxes paid by banks. Banks, of course, desire to be relieved from the provisions of the excess profits tax and fully realize that corporation income tax will be in existence for a good many years. We desire to have Federal taxes payable on net income and that it be fairly and equitably assessed against all corporations alike. We do not want any "class legislation" passed, favoring banking institutions, but rather, we contend that there is "class legislation" in effect now when banks cannot use as a deduction quite a material part of their overhead expense. It is our contention that personal taxes paid by banks are just as much of an ordinary and necessary expense as such taxes paid by a mercantile or manufacturing corporation. We appreciate that Article 566 of Regulations 45 permits the stockholders of banks to use as a deduction their proportionate part of personal taxes paid by the banks in which they own stock. This, with the provision that the same amount be added to income as dividends received. In our opinion nine-tenths of holders of bank stock do not avail themselves of this privilege at present and of those who do the benefits derived are only a saving of 4 or 8 per cent. normal Federal tax, regardless of the amount of their net income.

Annual Meeting at Los Angeles

The twentieth annual meeting of the State Secretaries Section will be held in Banquet Room No. 1 of the Clark Hotel, Los Angeles, Calif., on Monday, October 3. The Board of Control will convene at the above place at 1.30 P. M. and at 2 o'clock the president will open the general meeting of the Section.

The program follows:

Annual address by the President.—Secretary D. S. Kloss, Pennsylvania.

Appointment of Committees, Resolutions, Nominations.

Report of the Secretary-Treasurer.—Secretary M. A. Graettinger, Illinois.

Report of the Committee on Forms.—Secretary W. C. Macfadden, chairman, North Dakota.

Report of the Committee on Insurance.—Secretary Geo. H. Richards, chairman, Minnesota.

Report of Committee on Simplified Income Tax Forms for Banks.—Secretary W. F. Keyser, chairman, Missouri.

Report of Committee on Federal Tax Law Revision (appointed by the Central States Conference).—Secretary M. A. Graettinger, chairman, Illinois.

State Convention Dates.—G. A. Bowerman, Executive Manager, American Bankers Association.

Report of Committe on Resolutions.

Report of Committee on Nominations

Election and installation of officers.

The newly elected Board of Control will meet immediately after adjournment.

No provision for Section headquarters have been made this year. Arrangements will be made for a desk at the General Information Bureau of the Los Angeles Committee for the use of those secretaries who do not have individual state headquarters.